

FINANCIAL TIMES

Friday July 29 1988

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INSIDE UK INDUSTRY Companies go on a spending spree Page 6

World News

Mandela's bungalow destroyed by arsonists

The home of Winnie Mandela, wife of the imprisoned African National Congress leader Nelson Mandela, was completely destroyed by fire yesterday.

Nobody was injured in the blaze, which engulfed the brick bungalow in a suburb of the South African black township of Soweto at about midnight.

Angola peace talks The US State Department said Chester Crocker, assistant secretary for African affairs, would fly to Geneva on July 31 for consultations with a Soviet delegation on the situation in Angola.

\$10m ransom paid Mexican industrialist Fernando Senderos Mestre, seized by kidnappers on July 4, was freed after his family paid a \$10m ransom.

Airbus crash probe Technical shortcomings were not to blame for last month's crash of an Airbus A-320 aircraft during a French airshow, said investigators.

Jordan scraps plan Jordan scrapped its development plan for the Israeli-occupied West Bank amid growing speculation that it plans to disassociate itself from the occupied territories.

Thai premier quits Maj-Gen Chatchai Choonhavan's nomination for the Thai premiership was submitted after Gen Prem Tinsulanonda's surprise resignation.

Win for Ashdown UK member of parliament Paddy Ashdown was overwhelmingly voted Social and Liberal Democrats' leader.

Landmine victim Sergeant Michael Matthews, a patrol commander serving with the Parachute Regiment, died in hospital of injuries received in a landmine blast near Cullyhanna, Northern Ireland, on Wednesday.

Communists ejected Turkish police ejected four West European communists, one a French parliamentarian, from the grounds of Prime Minister Turgut Ozal's official residence after the four were denied permission to see Ozal over the trial of two Turkish communists.

Peace convoy A US "peace convoy" of 20 trucks protesting against Washington's policies in Central America arrived in Nicaragua after sneaking out of the US with a cargo of food, toys and medical supplies.

Business Summary

Two sacked at Norsk Hydro unit after losses

NORSK HYDRO, Norway's largest publicly quoted company, dismissed two senior employees in its Hydro Aluminium subsidiary's trading unit for alleged business misconduct revealed by an internal company audit.

PHILIPS, Dutch electronics giant, blamed a 44 per cent plunge in second-quarter earnings, to the lowest quarterly level in five years, on cut-throat competition from south-east Asia.

REVOCO D. S. once the biggest and fastest growing drug store chain in the US, went bankrupt less than 19 months after being taken private in a widely-applauded \$1.3bn leveraged buyout.

BRIC, British electric cables and construction group, has agreed to acquire the cable-making business of Cavi, Italy's second largest cable manufacturer.

YAMAICHI SECURITIES, one of Japan's Big Four stockbrokers, is linking with Lodestar Group, Wall Street mergers and acquisitions specialist, by taking a 25 per cent stake in Lodestar Partners.

CHRYSLER, third largest US motor manufacturer, reported that net profit in the second quarter was \$320m compared with \$424m in the same period last year.

PAN AM, US airline group, announced a second-quarter profit of \$10.5m last year, after a 25 per cent stake in Lodestar Partners.

ARIANESPACE, French company which builds, operates and launches Western Europe's Ariane space rockets, said it would propose floating shares on the French stock exchange next year.

SUMITOMO BANK became the latest of Japan's large commercial banking groups to unveil a large-scale share issue in order to bring its capital adequacy in line with international standards.

CSR, Australian resources group, agreed to sell nearly all the remaining interests of its coal division, once among Australia's biggest, to Royal Dutch/Shell and the local Coal and Allied Industries for \$426m (US\$215m).

NISSAN MOTOR is to become the first Japanese automotive group to integrate its development and production centres in Japan, Europe and the US with a global satellite-linked computer-aided design (CAD) network in order to speed up vehicle development and production overseas.

DIGITAL Equipment, world's leading manufacturer of mini-computers, managed a small improvement in its profits during the latest quarter, after the flat results of three months ago.

BCE, Canada's largest holding company, recorded strong second-quarter net earnings of C\$268m (US\$207m) following higher contributions from its telephone services and equipment subsidiaries and sharply lower preferred stock dividends.

Heavy intervention fails to hold back sterling, dollar rise

By Simon Holberton, Economics Staff, in London

STERLING and the dollar rose sharply on foreign exchange markets yesterday despite an estimated \$1bn of central bank intervention and a rise in official interest rates in West Germany.

The decision yesterday by the Bundesbank, the West German central bank, to raise its Lombard emergency finance rate to 5 per cent from 4 1/2 per cent did little to engender currency market interest in the D-Mark.

Bundesbank leaves few clues on liquidity

By Andrew Fisher in Frankfurt

WEST GERMANY'S central bank, the Bundesbank, yesterday confirmed its step-by-step advance in interest rates by raising the Lombard emergency funding rate from 4.5 to 5 per cent, although it left dealers guessing as to whether it would inject more liquidity in the banking system in the next weeks so as to avoid further market tightness.

BRITAIN'S Inland revenue is planning big changes to the tax rules for people who spend only part of each year in the UK.

Table with 2 columns: Currency, Rate. Includes Sterling, Index 1975=100, etc.

more, France, however, left its interest rates unchanged. By the close of trading in London, the pound and the dollar had both risen by 2 pence in active trading.

took no measures to supply liquidity, said Mr Peter Pietsch, an economist with Commerzbank. "It shows that the Bundesbank wants higher rates." The central bank could have increased rediscount rates or cut minimum reserve requirements.

BRITAIN'S Inland revenue is planning big changes to the tax rules for people who spend only part of each year in the UK.

and Italy also intervened to stop their currencies rising against the D-Mark. In total they purchased about DM650m (\$460m), but to little avail. The Bank of Spain conducted the bulk of these purchases.

The House of Commons that the current residence rules are "complex, long-standing and lack a statutory base."

BRITAIN'S Inland revenue is planning big changes to the tax rules for people who spend only part of each year in the UK.



Nigel Lawson

UK prices to rise for a year, says Lawson

By Peter Riddell, Political Editor, in London

BRITAIN'S inflation rate will edge up for another year before coming back down again, Mr Nigel Lawson, the Chancellor of the Exchequer, admitted yesterday during a generally optimistic mid-summer assessment for Conservative MPs.

Mr Lawson drew a comparison with the temporary blip in inflation three years ago, when the rate 'raged up in the first half of 1985, before coming down again to the lowest levels for a generation.

US says 1989 budget deficit will be \$140bn

By Anthony Harris in Washington

THE US Government yesterday forecast that its budget deficit for 1989 would be just over \$140bn, without allowing for the cost of drought relief.

Genscher urges Moscow links

By David Marsh in Bonn

MR HANS-DIETRICH Genscher, the West German Foreign Minister, yesterday issued a new call for improved western economic and technological co-operation with the Soviet Union.

MARKETS section with various financial data tables.

STOCK INDICES section with various market data.

Contents section listing various articles and page numbers.

Brazil opts for a costly and impractical brave new world. President Sarney's campaign against the new draft constitution has aroused opposition anger.

French politics Conservatives and Centreists seek entente cordiale. Editorial comment A test for Mr Clarke: peace moves in Kampuchea.

MORGAN GRENFELL advertisement for Unit Trusts, featuring a large logo and contact information.

JPY/ciols/50 handwritten note at the bottom of the page.

EUROPEAN NEWS

Timetable deal closer in Europe security talks

By Judy Dempsey in Vienna

WESTERN AND Warsaw Pact countries have failed again to decide whether to prolong the current round of talks on European security, due to break up today.

More East Germans move to the West

By Leslie Collitt in Berlin

EAST GERMANY is expected to permit at least 20,000 citizens to "resettle" in West Germany this year, double the number last year, in an apparent attempt to quell rising economic and political dissatisfaction.

Italy sued over cheque surcharge

By David Buchan in Brussels

THE EUROPEAN Commission yesterday started legal proceedings against Italy for imposing an allegedly discriminatory tax on foreigners' bank cheques.

At issue is the government decision two years ago to levy L300 (8p) on every cheque, and an extra L500 on foreign cheques and cheques written for more than L50,000.

Italy sued over cheque surcharge

THE FRENCH Government has launched an investigation into the pricing practices of the country's cement industry.

France to probe cement industry pricing practice

By George Graham

THE FRENCH Government has launched an investigation into the pricing practices of the country's cement industry.

Europe's Conservatives left shivering as Socialists run off with their clothes

FRANCE'S CONSERVATIVES have been thrown into disarray by a series of electoral setbacks, which have both exacerbated and thrown into sharper relief their internal divisions.

Policy disputes and personal rivalry hamper French right

By Paul Batts in Paris

FRANCE'S TROUBLED conservative and centrist parties are trying to establish an entente cordiale between the various components of the right and form a more credible opposition to President Francois Mitterrand's Socialists.

Policy disputes and personal rivalry hamper French right

THE FUNDAMENTAL problem facing the right and centre-right is the definition of a common strategy to thwart President Mitterrand's efforts at broadening the Socialist's electoral base and securing wider support for the minority Socialist Government.

Splits threaten Spanish right

By Peter Bruce in Madrid

THERE WAS a moment of high drama during the special conference of Spain's official conservative opposition, the Alianza Popular, in Madrid last February.

France to probe cement industry pricing practice

THE FRENCH Government has launched an investigation into the pricing practices of the country's cement industry.

When a Socialist Government is happily shedding its ideological baggage, modernising and deregulating the economy, and preparing for European integration, what ideological space is left for the conservatives?

Policy disputes and personal rivalry hamper French right

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Swiss exports up almost 10%

FOREIGN DEMAND for Swiss goods was "unusually good" in the first half, according to the country's customs directorate, writes John Wicks in Zurich.

Austrian debt rises Sch48bn

AUSTRIA'S federal debt rose to Sch745bn (€38.4bn) at the end of June from Sch697bn at the end of last year and Sch617bn the year before, Mr Helmut Frisch, chairman of the national debt committee, said yesterday, writes Judy Dempsey in Vienna.

Portugal's trade deficit widens

PORTUGAL'S TRADE gap continued to widen with imports growing at almost twice the speed of exports, writes Diana Smith in Lisbon.

Finland turns to West Germany

WEST GERMANY has become Finland's largest trading partner, passing the Soviet Union for the first time this decade, writes Olli Virtanen in Helsinki.



Mitsotakis: image problems.

Papandreou steals the thunder

By Andriana Ierodiakonou in Athens

NEW DEMOCRACY, Greece's right-of-centre opposition party, lost power in 1981, shortly after pulling off one of the most astute political moves in the country's recent history: joining the European Community.

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Advertisement for Randfontein Estates Gold Mining Company, Witwatersrand, Limited, Barnato Exploration Limited, Lindum Reefs Gold Mining Company Limited, and Jim Bodgener.

Turkish Cypriots build mosques but find no peace

Jim Bodgener, recently in northern Cyprus, reports from an island divided for 15 years.



The simple white churches with their tiled roofs still grace the villages and hamlets of the northern Cypriot plain, but their bells are silent and corroded in their belltowers.

The stalemate since 1974 has frozen northern Cyprus in time. On one side of the two tiers of rusting oil drums and barbed wire that demarcate the buffer zone between the two communities in Nicosia, and of the Green Line dividing the island, is a skyline of office and apartment blocks, and tower cranes - an economic recovery in the Greek sector hailed as a miracle by its Western admirers.

Under heavy pressure from Ankara to attend, he will go to the meeting on the understanding that there will be no pre-set agenda, and no reference to any past settlement proposals.

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OVERSEAS NEWS

Thailand may get new premier as Prem resigns

By Peter Ungphakorn in Bangkok

MAJOR GENERAL Chatchai Choonhavan's nomination to be Thailand's next prime minister was submitted to the president of the Senate yesterday, following Gen Prem Tinsulanonda's surprise decision to step down.



Chatchai Choonhavan

The real but unexpected possibility of Thailand having its first elected prime minister since 1976 represents significant progress for Thailand's democratic institutions.

But it will also present a severe test of unity for the various factions in the proposed five-party coalition, and could affect Thailand's progress towards joining the newly industrialising countries.

Jordan scraps West Bank plan

By Andrew Gowers, Middle East Editor, in London

JORDAN yesterday scrapped its much-awaited development plan for the Israeli-occupied West Bank in what was officially described as a move to clarify its policy towards the Palestinians.

Reflected the Jordanian Government's lack of progress in attracting finance for the plan originally costed at \$1.5bn, and coincided with speculation that Jordan is planning wider steps to dissociate itself from the occupied territories.

how far the King intends to go. One suggestion is that a recent spate of official leaks along these lines is intended to put pressure on Mr Arafat to meet face-to-face with King Hussein.

Sihanouk to meet leader of Kampuchea

By John Murray Brown in Jakarta

TALKS IN INDONESIA aimed at resolving the nine-year Kampuchean conflict concluded yesterday with delegates unable to agree on a final communiqué but committed to continuing the peace process with the setting up of working committees.

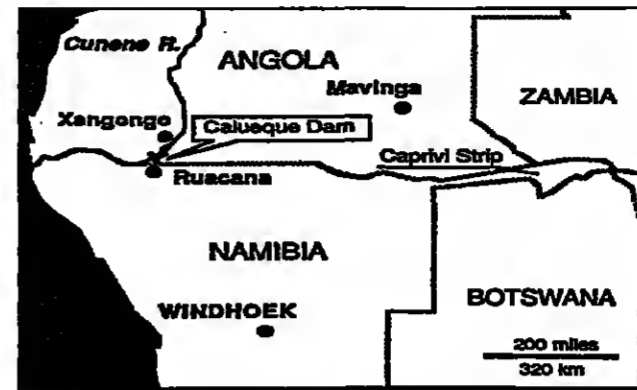
Prince Norodom Sihanouk, former leader of the three-party Kampuchean government in exile, and Mr Hun Sen, Prime Minister of the non-communist Association of Southeast Asian Nations, the Khmer Rouge, the largest of the three anti-Vietnamese resistance groups launched a fierce attack on Hanoi's occupation of its neighbour.

Perhaps more remarkable given their bitter divisions was that the four factions met for the first time since Vietnam's invasion in 1975 without major breakdowns.

Face-to-face on Angola's border

Anthony Robinson reports from Ruacana, where three armies meet

Two of the most powerful armies ever seen in southern Africa now face each other across the Cunene River which marks the boundary between South African-occupied Namibia (South West Africa) and Angola.



According to South African military intelligence, at least 12,000 Cuban troops, including more than 8,000 men from President Fidel Castro's mechanised 50th Division, are positioned along a 100km front between Ruacana and the Kavango river in the south of Angola's 14th military region.

The nearest Cuban forces are as close as 10km away from the South African Defence Force (SADF) and locally recruited South West Africa Territorial Force (SWATF) troops in their base, less than 50km from the border, in a low-level practice bombing raid.

A steady stream of military hardware - heavy transports, armoured troop carriers, light tanks and other supplies - flows in convoys up the main road from the south and along the railway to the railhead inside the logistical base at Grootfontein.

A top priority must be to keep the two armies apart until agreement can be reached on repatriation of the estimated 54,000 Cuban troops in Angola and the withdrawal of Pretoria's estimated 50,000 troops to beyond the Orange River, which marks the southern border between South Africa and Namibia.

ANNIVERSARY OF SRI LANKA ACCORD

A heavy toll on both sides

By K. S. Srinivasan in New Delhi

THE twelve-month-long, peace-keeping operation by the Indian army in Sri Lanka has been carried out at a heavy cost both in terms of money and casualties.

1,500 Tamil Tigers have been killed in around 1,500 and 3,000 wounded. They say about 800 Tiger activists are still fighting. There are now around 40,000 Indian troops in Sri Lanka.

about a fortnight ago but did not materialise because of a hitch over the composition of a committee to be formed for the rehabilitation of the Tiger militants, a substantial amount for which is to be provided by India.

Seoul economy powers ahead

SOUTH KOREA recorded a 31.5 per cent increase in its current account surplus to \$694 for the first six months of this year compared with \$4.6m for the same period in 1987, reports Maggie Ford from Seoul. Exports rose 28.8 per cent despite strikes in many industries.

The Bank of Korea, the central bank, reported that June's surplus, at \$1.3bn, was the highest ever recorded for a single month. Chemical exports rose 51 per cent, machinery 45 per cent, and footwear 40 per cent. The motor industry, a big export earner, was hit by a sharp decline in car exports declined by 62 per cent.

Israel diplomats fly to Moscow

FIVE Israeli diplomats flew to Moscow yesterday as their country's first official representatives in the Soviet Union for 21 years, reports Eric Silver from Jerusalem. They are due to attend sabbath eve service at the main synagogue tonight.

The Soviet Union has had a low-key consular delegation in Tel-Aviv for the past 12 months. Mr Mikhail Gorbachev, the Soviet leader, is eager to foster Arab-Israeli peace negotiations on equal terms with the Americans. He recognises that to do so he must be able to deal with both sides of the conflict. Israel has made full relations a condition for Soviet participation.

NZ announces austere budget

By Our Wellington Correspondent

NEW ZEALAND'S Finance Minister announced an accelerated privatisation programme yesterday in a budget which contained a number of the Government's tight monetarist, anti-inflationary strategy.

Announcing his fourth budget, Mr Roger Douglas said assets were expected to rise at least NZ\$2bn (\$311m) this financial year and NZ\$2bn eventually.

the shipping corporation and even the National Film Unit. In the current year the assets sales are expected to help to produce a budget surplus of NZ\$2.2bn or 3.6 per cent of GDP, compared with last year's surplus of NZ\$467m.

1918 "Taisho Marine" 1988



Message from President Takashi Ishikawa

During the business year under review, personal consumption in Japan has grown at a steady pace. At the same time, housing investment showed large growth and capital expenditure was restored. On the whole, the Japanese economy expanded primarily because of increasing domestic demand.

Under these circumstances, the Company was able to achieve the results shown below by exerting its best efforts to expand the Company's business and to improve its managerial efficiency. We are, as ever, grateful for your kind support, without which these results could not have been achieved.

Looking to the present and the future, various difficult factors will influence the development of the Japanese economy including the restructuring of the economy caused by stimulating domestic demand whilst at the same time adversely affected by increased trade friction and the considerably stronger value of the yen.

Under these conditions, the Company strives to further improve its business results. To this end, and being keenly aware of the many important changes in our business environment, the Company intends to further strengthen its corporate structure through continuous efforts to secure and develop its manpower, as well as through concerted efforts to elevate the level of managerial efficiency, to carry out research and development in respect of new lines of insurance and services which correspond to the increasingly diversified coverage needs of consumers, to improve its sales network and claim handling system, to strengthen its investment abilities and to expand the information systems which support these activities.

In addition, the Company will have attained the 70th anniversary of its foundation on October 21, 1988, under your patronage. We deeply appreciate your continued favor and take this occasion to request your further support and cooperation in the future.

Business in General In order to meet diversified coverage needs, the Company marketed several innovative types of insurance, such as Juvenile Comprehensive Insurance with Maturity Refund, whilst continuing its ongoing efforts to develop asset formation insurances of all types. Also, the Company continued to strive to offer improved customer services, including an effort to aid medium-sized enterprises in expanding their businesses overseas. The Company also expanded its sales network and service system by establishing new branches, strengthening its agencies and improving its claim handling system. In addition, the Company strove to diversify its investment portfolio through the expansion of its investment companies overseas, which will also further strengthen its ability to invest its assets. The Company also continued to expand its information systems in order to compete effectively in this age of advanced information and also continued to improve managerial efficiency.

In the overseas insurance business markets, unfavorable business conditions persisted in spite of the better conditions in some areas. The Company continued to pay attention to loss ratio factors and maintained its conservative underwriting policies.

As a result of the Company's efforts to improve its business principally by the means described above, the Company was able to achieve the business results given below which exceed those of the previous business year, as follows:

Table with columns: Assets, Liabilities and Stockholders' Equity, 1988, 1987. Includes sub-headers: (Dollars in thousands), 1988, 1987.

TAISHO MARINE AND FIRE INSURANCE COMPANY, LIMITED TOKYO, JAPAN The annual report will be available at Hambros Bank and our London Liaison Office.

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AMERICAN NEWS

Broker fired in US insider trading probe

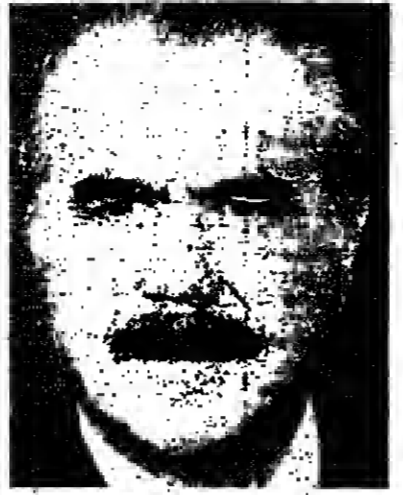
By James Buchan in New York

WILLIAM DILLON, a Merrill Lynch broker at the giant Merrill Lynch securities firm, has been fired after an investigation into alleged trading in stocks to be tipped in Business Week, the big New York-based business and financial magazine.

Brazil opts for a costly brave new world

Ivo Dawmay reports on an impractical and almost unworkable draft constitution

THE fierce passions unleashed in the clash this week between Brazil's constitution-drafting legislature and President José Sarney now look set to subside. But the argument will not.



José Sarney: questions of cost



Ulysses Guimarães: angry reply

For just as Mr Sarney attempted in a nationwide broadcast to set the broad context for a debate on the coherence and cost of Congress's 321-article draft, Mr Ulysses Guimarães, his veteran rival in the constitutional assembly, has deftly evaded it.

Instead of addressing the President's questions about the cost of the proposals, Mr Guimarães chose in an angry reply to deal only with the micro-cases for the devolution of power from federal to state and municipal authorities.

the drafting of enabling legislation begins. So what happens next? Hopes among leaders of the right-wing Liberal Front Party (PFL) that the whole draft would be thrown out collapsed on Wednesday night when the document was approved as ready for final amendments.

Garcia calls for tighter laws on terrorism

By Barbara Durr in Lima

PRESIDENT Alan Garcia yesterday proposed tough action against Peru's Maoist Sendero Luminoso guerrillas. Speaking on the third anniversary of coming to office, he pleaded for national unity against terrorism and for economic co-operation.

Poll puts Dukakis 17 points ahead of Bush

By Michael Dukakis

MICHAEL DUKAKIS, the Democratic Presidential candidate, has extended his lead over George Bush, his Republican opponent, to 17 percentage points, Reuter reports from Washington.

Argentina resumes loan talks

By Gary Mead in Buenos Aires

TWO senior Argentine government officials have arrived in Washington to resume discussions on the country's foreign debt interest payments, which this year will be almost \$5bn.

Hyundai negotiates with workers after price shock

By Maggie Ford in Seoul

HYUNDAI HEAVY Industries, the South Korean shipbuilder, expressed shock and astonishment yesterday at the actions of World-Wide Shipping, the Hong Kong group headed by Sir Y.K. Pao. It has accused Hyundai of unbusinesslike methods in attempts to renegotiate the price of an order.

Korea yard may haggle over other ship orders

By Kevin Brown, Transport Correspondent

THE CONTRACT dispute between Hyundai and World-Wide Shipping raises the possibility that the South Korean shipyard may try to renegotiate some of the other 45 orders on its books.

HK shippers suspect Korean ploy to improve contract

By David Dodwell in Hong Kong

IT IS easy to understand why World-Wide is so cross, commented one Hong Kong-based shipping analyst on the row this week over efforts by Hyundai, the Korean shipbuilder, to renegotiate a \$120m contract for oil tankers.

ECGD suffers a humiliating blow

Peter Montagnon on parliamentary criticism of a back-up body

BRITAIN'S Export Credits Guarantee Department was lying low yesterday in the wake of the outspoken criticisms levelled at it by the House of Commons Public Accounts Committee (PAC).

Brazilian charter 'alarms' EC

By Ivo Dawmay in Rio de Janeiro

THE EUROPEAN Community is alarmed at the implicit hostility to foreign capital investments in Brazil's draft constitution, which could worsen the country's relations with the trading bloc.

R-R engines for Ansett's Boeing 757s

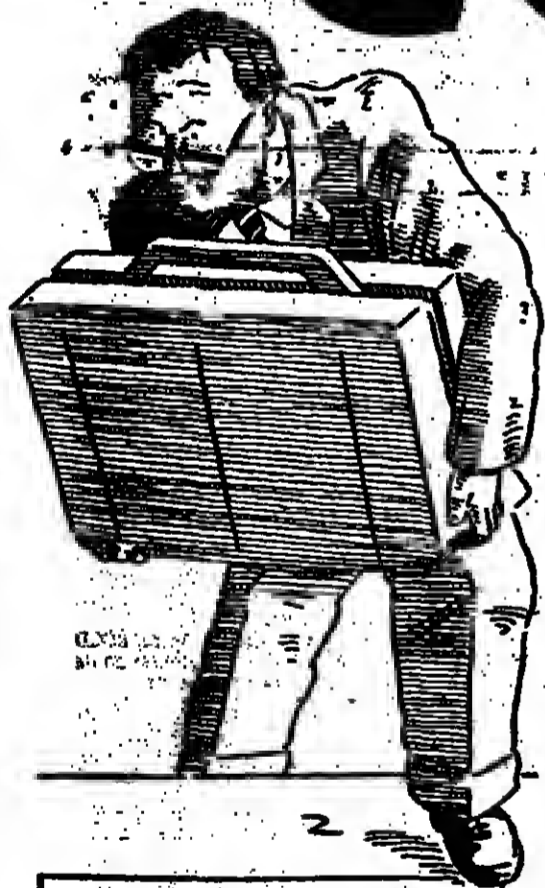
By Michael Donnan, Aerospace Correspondent

BOLLS-ROYCE will gain up to \$70m of new business in providing its RB-211-SSB4 engines for six Boeing 757 airliners ordered by Ansett of Australia. The six aircraft were held by Ansett on option.

World Trade News

Various international trade news items including shipping market updates, export credit issues, and regional trade developments.

THERE ARE LIES, DAMNED LIES AND STATISTICS ABOUT PORTABLE COMPUTERS.



Some portables come with slip-a-disc facility.

Computer advertisements often speak with forked tongue.

Manufacturers are prone to describe anything that weighs slightly less than a desk as "portable."

Or they forget to mention the battery pack that weighs an extra four pounds.

Or to give you processor power they get rid of the batteries altogether.

Thereby making the "portable" dependant on a power lead for the rest of its life.

Or they build screens that are only legible in a dark room.

And what these computers lack in specification their ads often make up for with overclaim.

But the Zenith TurbosPORT 386 and SupersPORT 286 machines were designed so that they could even use OS/2 on the move, miles from any power socket.

And all our machines, from the SupersPORT up



Some manufacturers make screens that need to be kept in the dark.

can plug in to your office network in seconds.

So while being more versatile than any other portables they remain as fast as the equivalent desktops.

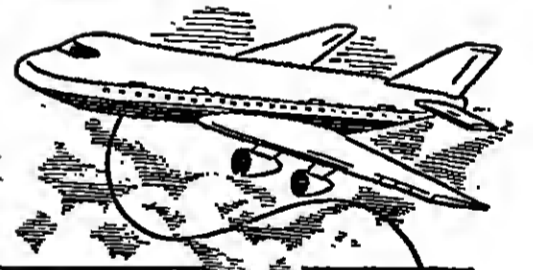
You don't believe us?

July '88 What Micro? magazine summed up by saying: "... (The SupersPORT 286) must be the laptop micro that everybody would love to have: it's faster than most desktop micros, weighs from 14.5lb, runs on batteries and has the best LCD screen we have seen."

What more could

we say? Except, of course, phone us on 0800 444124 for further information.

In case you think it all sounds too good to be true.



Beware of the "portables" that need to be kept on a lead.



Some portables run in the slow lane.

ZENITH | data systems

THE QUALITY GOES IN BEFORE THE NAME GOES ON*

UK NEWS

Export credits body challenged over accounting

By Peter Montagnon, World Trade Editor

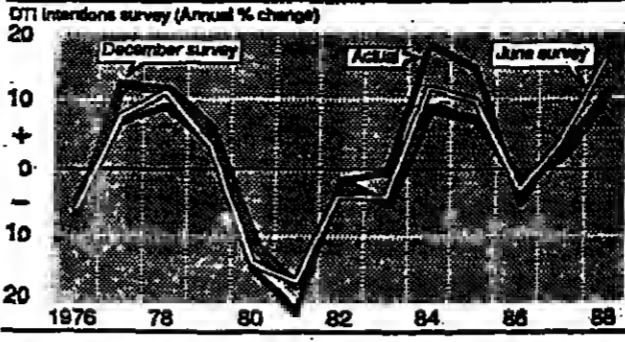
THE EXPORT Credits Guarantee Department (ECGD) - Britain's official export credit insurer - over-stated its results by reporting a trading surplus of £175m in its latest accounts for 1986-87 and should increase its provisions against losses on sovereign debt, the House of Commons Public Accounts Committee said yesterday.

British industry triggers £8.5bn investment boom

Simon Holberton assesses the biggest spending programme by companies for 20 years

THE HEADLINES have been about British consumers' profligacy, surges in credit, rising interest rates, and the strong pound. But arguably something more important and long-term is happening in Britain: an investment boom is under way.

Investment in UK manufacturing industry



Source: DTI. Note: The graph plots the DTI's investment intentions survey against actual investment in manufacturing. The December survey is for the forthcoming year over the current year; the June survey is for the current year over the previous year.

Growth was given a kick-start by the depreciation of sterling after the oil price fell sharply in 1986. A period of sustained and rapid economic expansion ensued and continues today, led by buoyant consumer demand.

Profits have been rising at historically high rates. Before tax profits rose by 22 per cent in 1986, 17 per cent in 1987, and CBI analysts expect them to rise by about 12 per cent this year.

Cordless phone operators set for licence battle

By Hugo Dixon

A MAJOR battle for licences to operate the next generation of cordless telephones is likely after Lord Young, Secretary of State for Trade and Industry, said yesterday that the Government had decided to award between two and four licences to operate the service.

Ashdown wins leadership poll

MR PADDY ASHDOWN

yesterday secured an overwhelming victory in the fight to become the first elected leader of the Social and Liberal Democrats and at once pledged his party to build "a decent, effective and responsible" alternative to Thatcherism.



Paddy Ashdown celebrates victory with his wife Jane

Marriott to put £100m into budget hotel chain

By Raymond Snoddy

Marriott, US hotels group, plans to invest £100m in the UK over the next five years on a chain of budget-priced hotels with the name Courtyard, the company's latest move into the fast-growing UK market for budget hotels.

Saunders loses challenge on fraud office powers

By Raymond Snoddy, Law Courts Correspondent

MR ERNEST SAUNDERS, the former chairman of Guinness who faces 42 criminal charges in the Guinness affair, has failed in a High Court challenge of the powers of the Serious Fraud Office which is handling the prosecution.

Central funding of health must continue, says MPs committee

By Alan Pike, Social Affairs Correspondent

CONSERVATIVE-dominated House of Commons Social Services Committee yesterday rejected many of the ideas for reforming the National Health Service under consideration by the Government.

Government agrees broadcasting change

By Raymond Snoddy

A CABINET Committee chaired by Mrs Margaret Thatcher, the Prime Minister, yesterday endorsed a radical package of policies for the future of British broadcasting.

English China Clays faces inquiry

By David Churchill and Clay Harris

THE OFFICE of Fair Trading is carrying out a preliminary investigation of English China Clays, the industrial, minerals and construction group, to see if a monopolies inquiry needs to be undertaken under the Monopolies and Mergers Commission.

Open victims decision

By Andrew Hill

Forty alleged victims of banned abortion drug Opren, dissatisfied with the assessed compensation offered by Eli Lilly, the US drug company, have had their cases decided by arbitration in the High Court. Some awards were increased by between 20 and 50 per cent.

Canary Wharf contract

By Raymond Snoddy

A 7,000-tonne structural steel contract for Canary Wharf, one of London's most prestigious office schemes, has been awarded to Victor Buyck, Belgian fabricator.

Short Brothers

By Raymond Snoddy

The Government has reduced extra cash for Belfast aircraft makers Short Brothers, which is earmarked for privatisation.

DTI to probe share deals in engineering groups

By Andrew Hill

THE Department of Trade and Industry is to investigate dealings in the shares of James Hill Holdings and examined the company's share register.

City's investor watchdog counts the cost of financial rescue

Nick Bunker and Eric Short look at the causes of Fimbra's budgeting crisis and the lessons to be heeded

THERE HAVE been many technical hitches in the process of giving the UK a new investor protection system.

annual report included a prediction that in 1987-88 the SRO would spend only £7.2m, well inside its projected fee income of £8.5m.

many members it would end up with. This was because nobody has ever had a reliable figure for the total number of independent investment intermediaries in the UK.

But all this has left Fimbra and the SIB with, potentially, an awkward problem - counting the worst fears of observers who argued two years ago that Fimbra was taking on far too big a task in seeking to regulate thousands of small investment businesses.

Jpy/cio/50

Yet another bumper crop.

In just eleven short years Apple Computer has grown to become one of the largest and financially strongest companies in

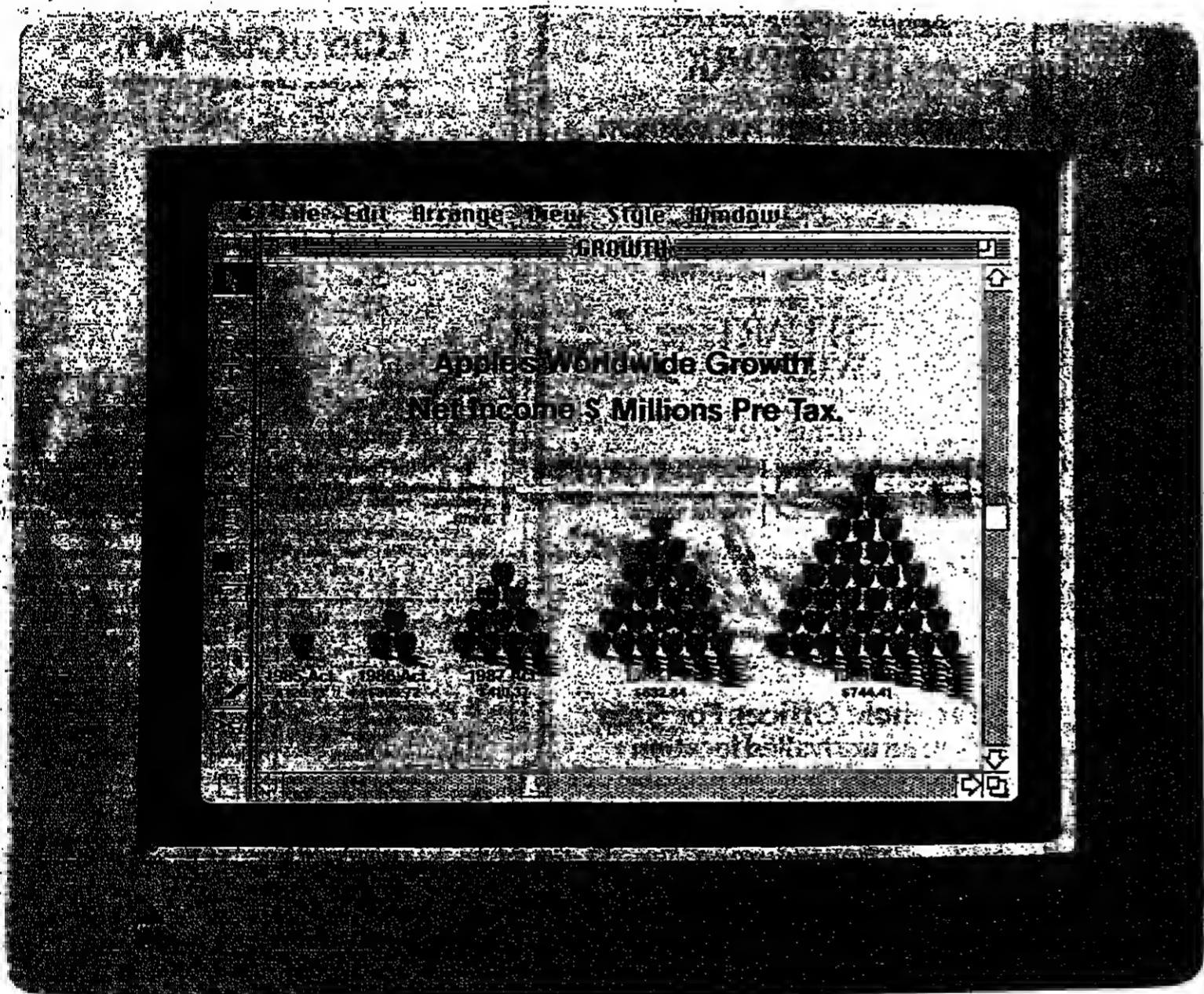
have had to eat their words. Even more so this year

Our latest results show our profits soaring in our second quarter by 135% with sales up 51% to £468.8 million.

An analyst was sufficiently moved to remark to the 'Wall Street Journal' that our performance was "sensational... the Macintosh™ just keeps gaining momentum."

While the 'Financial Times' was impressed enough to comment "Apple"... has begun to reap the rewards of its efforts to crack open the business personal computer market."

The 'Infomatics Daily Bulletin' said "Apple Computer continued its seemingly inexorable rise towards the top of the IT industry pecking order."



the world. Our turnover for 1987 was £1.44 billion.

We're also ranked 51 in the Fortune 500 list in terms of market capitalisation.

To put that into a British context,* we'd be larger than Glaxo Holdings, RHM and W.H. Smith & Son (Holdings) in terms of sales. And we'd be the 29th most profitable company on a pre-tax basis, ahead of Sears, Courtaulds and Rothmans International.

A remarkable achievement in anybody's books.


Back in 1977, when we started, our sales totalled £418,400. Any doubting Thomas's over the following years

Another leading analyst predicted "Apple could sustain 25% growth for many years." Please excuse us for blushing.

To cope with all this present and future growth, we've established a major new European headquarters in Paris. We're also implementing dramatic expansion plans in the UK.

All perfectly natural behaviour for the largest dedicated manufacturer of personal computers in the world.

For full details dial 100 and ask for Freefone Apple. It could be the start of a very fruitful relationship.

 Apple. The power to succeed.

THE PROPERTY MARKET

A race for space, Bristol fashion

By Paul Cheeseright

THE NAME is a misnomer now. Aztec has nothing to do with Mexicans. It did have everything to do with the A to Z of technology. Aztec West, a home for high technology companies. It is still that, but it is chiefly a home for business wanting some space.

Space here has a double definition. It not only means accommodation, but also low-rise accommodation in a landscaped setting with plenty of car parking. Aztec West, outside Bristol, is one of the largest and one of the longest established of British business parks.

When Arlington Securities, a specialist in business park development, paid Electricity Supply Nominees £35m to acquire it 14 months ago, the park was going back to 1980 with most activity based in the Central Campus and Northern Sector.

There was plenty of greenery. "The foliage was such you couldn't see the buildings," recalled Barry Holmes, the managing director of Aztec West. "It was fairly mature, but not grown up."

What has been happening since is an effort to make the park grow without losing the secret of youth. The buoyancy of the Bristol and South West economy has been a help. The availability of land has been vital.

The site is 157 acres, but half of that remains unused, largely in the Entrance Quadrant,

Park West and Southern Lakes. There is then the scope to create what Arlington likes to call "a community of businesses" rather than just a collection of buildings separated by trees and the obligatory lakes. But a community needs facilities for itself, for its visitors.

Companies on the park pointed this out to Arlington, which has responded in two ways.

First has been a start to the construction of the Aztec Centre in the Central Campus area. This will have both facilities for small professional firms and common services like conference suites, banks and small shops - newsagent, drycleaners, wine bar and so on.

Second, work has begun on the construction of a 30-bed-room hotel which will have 24-hours facilities like gymnasium, swimming pool and sauna. The hotel will be the largest building in the village area, where the intention is to soften the business atmosphere with a pub and green. Offices will be directed at occupiers with relatively small space demands.

There is in all this, of course, a strong marketing element. Investment in new facilities should enhance the ability of Arlington to attract more occupiers and charge them more when they arrive.

After the purchase Arlington put aside £8m for new expenditure on Aztec West and it is now engaged in a construction programme which is partly speculative and partly pre-arranged with new occupiers - Melko, the Japanese computer group, and South West Electricity Board, for example.

Altogether some 320,000 square feet of new space is being created at Aztec West, which will bring the total amount of space on the park up to around 1m square feet. This new space, apart from Aztec Centre and the Village, falls into two categories.

The Northern Sector of the park is actually a light industrial and distribution area used by companies like Wiggins and Teape, Tesco, ICL, McDonnell Douglas and IBM but separated from the main body of the park by banking and trees. This area is being filled with new buildings in a joint venture Arlington has set up with Pearce Developments of Bristol.

The second category is office development in the main body of the park, two buildings in the Central Campus and another on the outskirts of the Village.

Every new building needs a new planning permission from the North Avon District Council. It is here that the B1 factor, the new class of use which

drops the separation of industrial and office activity, comes into play.

It has helped to accelerate a process at Aztec West that had already started. The original planning permissions had pre-supposed that there would be office space with the industrial space. Now, said Mr Holmes, "the incidence of creation of office space has increased dramatically."

The District Council has been sympathetic and its approach contrasts with that described by St Quentin, chartered surveyors, in a recent review. "Some planners see the new B1 use class as a threat to their planning policies both in terms of diluting existing established office centres and reducing the supply of land for conventional industrial purposes."

The B1 factor with the spending on new facilities and the general strength of the market have combined to give Arlington a sharp rise in its land values at Aztec West. The undeveloped land at Aztec West when Arlington bought the park was worth around £170,000 an acre. Now land on the park is worth around £400,000 an acre.

Although Arlington is not involved in land sales directly, it is prepared to sell freeholds and to engage in design and build exercises for new occupiers.

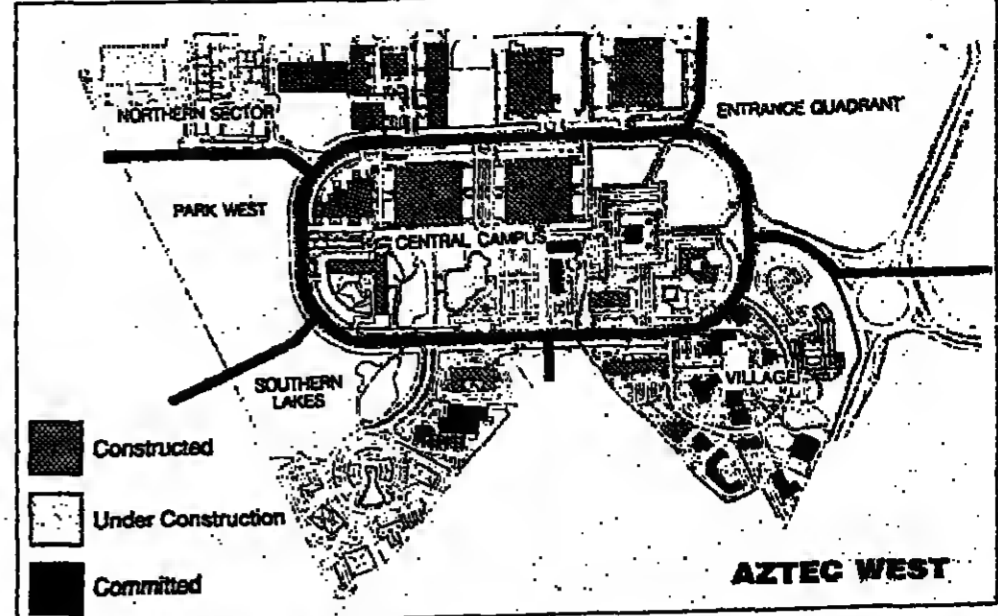
With direct sales interspersed with leaseings it is possible to draw in different streams of revenue in order, as Mr Holmes put it, "to try to keep a balance between outgoings and incomings."

Arlington has booked a rent roll of about £1.6m a year at Aztec West. This gave it a stable source of revenue at the outset. Since then, however, it has been able to increase cash flow by, for example, the sale of land to Shire Inns for the hotel in the village, the sale of land to Sun Alliance for a printing centre and the sale to Wiggins Teape of its building.

What all this adds up to in financial terms is not clear. Arlington stresses that it is delighted with its investment and Mr Holmes said "it is paying its way," but no figures have so far been forthcoming.

The park, which has more than 40 occupiers, is a mixture of owner-occupied and leasehold premises. Arlington stresses the flexibility of tenure arrangements into which it is prepared to enter, but that is hardly surprising. The market may be buoyant, but it is not so buoyant as to allow landlords always to dictate the terms.

The companies on the park are a mixture - ranging from high technology, like Digital Equipment, Immos, Mercury Communications and Wang, to services like Barclays, Canada Life Assurance and Radio Rentals.



AZTEC WEST is on the M5 and a couple of minutes from the M5 junction with the M4. It is also about 10 minutes by car from the Bristol city centre. So it fits into two markets - the M4 corridor and the Bristol office market.

The area flanked by the M4 and the M3 further to the east is one of the most active in the property market. Indeed, this week Bride Hall announced plans for another major development - a mixture of industrial, warehousing, retail and leisure facilities near Newbury.

But the office rents tend to go down the further out of London along the M4 a prospective tenant is prepared to go. On Aztec West, current rents are around £11 a square foot.

Hartnell Taylor Cook, the Bristol chartered surveyors, noted that generally the Aztec West rents remain roughly on level-pegging with those of the city centre. Lately, however, they have slipped behind a little.

At the Spectrum building in Bristol, which has been available for occupancy for some time, Hartnell Taylor Cook is quoting £13.35 a square foot and has two transactions in the hands of solicitors for \$12.75 a square foot.

In the current state of the market, Aztec West premises might be expected to catch up with that once some of the new buildings become available.

In the Bristol market as a whole there is a shortage of space. After a sluggish period, characteristic of many British regional centres, development activity in Bristol has picked up, but the demand for space has led to much of the accommodation likely to become available in the next 18 months being pre-let. For Arlington then, there is advantage in speeding developments where it can so that Aztec West can have a role in meeting the demand.

The Bristol market has alternating periods of somnolence and vigour and it would not be unexpected if, in say, a couple of years shortage of space turned into abundance.

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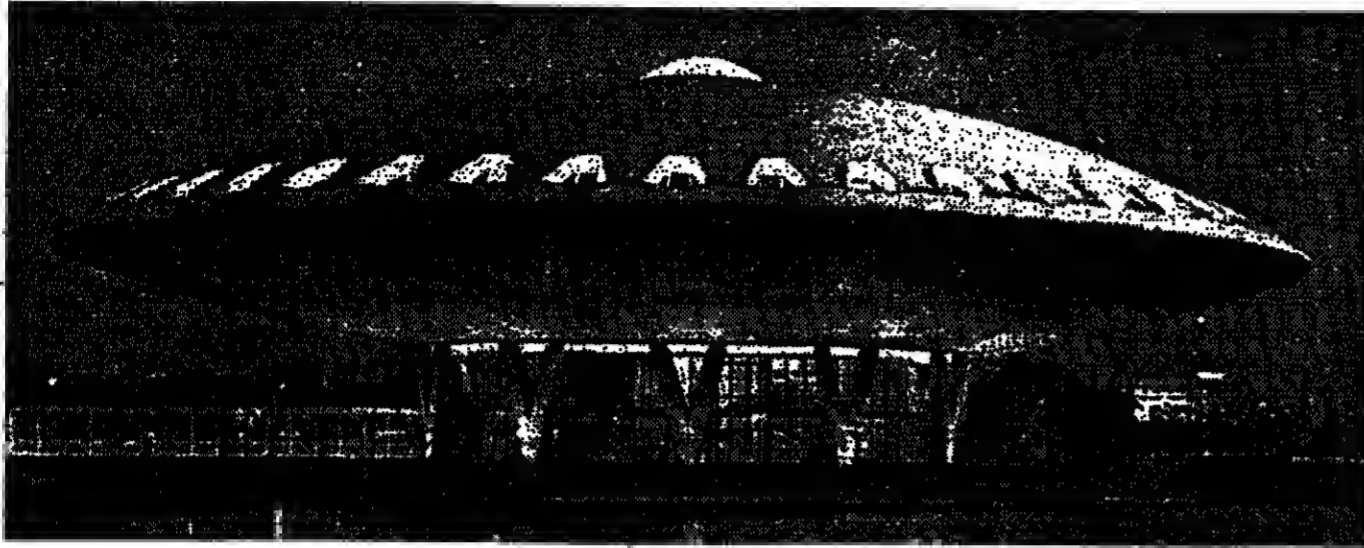
NELSON BAKEWELL CHARTERED SURVEYORS

MANAGEMENT

Philips

A cultural world apart

Guy de Jonquières and Laura Ram conclude an examination of the Dutch group by assessing the impact of its traditions and operating style



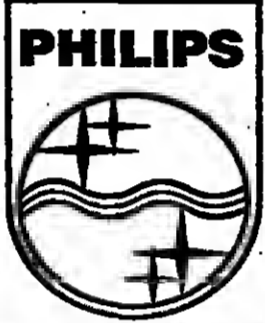
The Evoluon, which houses a collection of Philips' contributions to technology, emphasises the group's influence on Eindhoven

change, they must move the headquarters from Eindhoven to somewhere like Brussels, which is on the European business map...

Like many large companies of its age, Philips possesses a highly distinctive "corporate culture" - a body of commitments, values and beliefs shared by its 387,000 staff in more than 60 countries.

age of 25 in 1960 - and has risen through the ranks to his current position after serving in a succession of posts abroad.

good. The Evoluon, for example, is designed to show that Philips' scientific innovation has done as much for mankind as for the company's commercial performance.



Long-time employees describe themselves as "Philips men" and talk of "the Philips way of doing things."

The dichotomy deepens

'Professional' management is a contentious concept, Michael Skapinker reports

Tom Peters, the co-author of the best-selling management book In Search of Excellence, said at a recent conference in London that if he had the power to do so, he would eliminate the phrase "professional management" from the language.

tered Institute of Management as the delegates to the conference. Nevertheless, only 30 per cent supported the creation of a professional institute, and only 14 per cent thought it should be run by the BIM.

Company Notices

East Daggafontein Mines, Limited. (Incorporated in the Republic of South Africa) ("the Company") FINAL EXERCISE OF THE OPTIONS TO SUBSCRIBE FOR ORDINARY SHARES IN THE COMPANY ("the options")

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U.S. \$500,000,000 The Republic of Italy Floating Rate Notes due 2005

International Bank for Reconstruction and Development Japanese Yen Special Bonds—Fourth Offering Coupon Rate: 5.125% Maturity Date: March 17, 1998

AMP FINANCE N.V. US \$15 MILLION GUARANTEED FLOATING RATE NOTES 1994

U.S. \$300,000,000 Woodside Financial Services Ltd. (Incorporated in the State of Victoria) Guaranteed Floating Rate Notes due July 1997

U.S. \$70,000,000 Autopista Vasco-Aragonesa, Concesionaria Española, S.A. Guaranteed Floating Rate Notes due 1995

EUROPEAN ECONOMIC COMMUNITY ECU 300,000,000 Floating Rate Notes Due 1993

U.S. \$100,000,000 Allied Irish Banks Plc (Incorporated with limited liability in the Republic of Ireland under the Companies Act, 1963) Subordinated Primary Capital Perpetual Floating Rate Notes

U.S. \$50,000,000 Bergen Bank A/S Floating Rate Notes due 1991

Mortgage Rate Change Allied Irish Banks plc, announces that its Home Mortgage Rate will alter from 9.5% to 11.5% with effect from close of business on the 29th July 1988. APR 12.1%.

LEGAL NOTICES CHEMICAL NEW YORK CORP. US\$100 MILLION GUARANTEED FLOATING RATE NOTES DUE 1995

GOTHENBURG & WEST OF SWEDEN The Financial Times proposes to publish this survey on: 16th September 1988

U.S. \$100,000,000 Allied Irish Banks Plc (Incorporated with limited liability in the Republic of Ireland under the Companies Act, 1963) Subordinated Primary Capital Perpetual Floating Rate Notes

SCIENCE PARKS The Financial Times proposes to publish a Survey on the above on 28th SEPTEMBER, 1988

Initially at least, the explosive device in question usually presents itself rather more innocently.

As a letter, in fact.

Its contents, however, can still prove totally devastating.

Because the letter we're talking about is one which tells you a customer is either in receivership, in liquidation or in very serious trouble.

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Sometimes the effect of this was so catastrophic it even destroyed the company receiving the letter.

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To even the largest of companies, in fact, our services have become recognised as sensible, prudent precautions that any well managed company should consider.

For some companies, of course, they may prove rather more than just sensible.

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Arts Week

MUSIC

London BBC Symphony Orchestra, conducted by Lorin Maazel...

THEATRE

London The Common Pursuit (Phoenix)... The Phantom of the Opera...

Dvorak, Auditorium des Halles (Tue 7 pm)... Concerts this week include The Temp...

Amsterdam

The National Youth Orchestra of Great Britain, conducted by Christo...

New York

Mostly Mozart Festival, Emerson String Quartet, plus Heinz Holliger...

music of the 1940s. Free concert at IBM Atrium...

Washington

Wolf Trap Festival, Populer Music Concerts...

Chicago

Haydn Festival, Chicago Chamber Musicians...

Tokyo

Hiroko Nakamura (piano), NHK Symphony Orchestra...

EXHIBITIONS

London The Royal Academy, 22nd Summer Exhibition...

The Royal Academy Summer Exhibition in an unbroken sequence...

Paris

Carle Musée et Monuments, sold in museums and Metro stations...

West Germany

Amsterdam, Tropenmuseum, The arts and crafts of Indonesia...

West Germany

Cologne, Romisch-Germanisches Museum, Caesar's Glass...

Chicago

Pal Joey (Goodman), Set in Chicago in the 1940s...

Tokyo

Casey Messinger Siegfried (Parthenon) open air theatre...

Washington

The Search for Signs of Intelligent Life in the Universe...

ARTS

the sea and the skies and poetical portraits combined with the perfection of his craftsmanship...

Paris

Carle Musée et Monuments, sold in museums and Metro stations...

West Germany

Amsterdam, Tropenmuseum, The arts and crafts of Indonesia...

West Germany

Cologne, Romisch-Germanisches Museum, Caesar's Glass...

Chicago

Pal Joey (Goodman), Set in Chicago in the 1940s...

Tokyo

Casey Messinger Siegfried (Parthenon) open air theatre...

Washington

The Search for Signs of Intelligent Life in the Universe...

West German cultural scene. There are about 60 works, paintings, graphs and plastics from 470 different artists...

Italy

Palazzo Grassi, The Pre-Raphaelites, the fourth major exhibition...

Netherlands

Amsterdam, Tropenmuseum, The arts and crafts of Indonesia...

West Germany

Cologne, Romisch-Germanisches Museum, Caesar's Glass...

Chicago

Pal Joey (Goodman), Set in Chicago in the 1940s...

Tokyo

Casey Messinger Siegfried (Parthenon) open air theatre...

Washington

The Search for Signs of Intelligent Life in the Universe...

Chicago Art Institute, Photographs by Josef Sudek, Josef Sudek's Prague as the background...

Washington

National Gallery, More than 60 masterworks from a superb 18th-19th century collection...

Tokyo

Sanjuro Museum, Chinese shawarwa of the Qin Dynasty (1094-191) from the collection of American...

Vienna

New York, American Craft Museum, An exhibition show that traces the history of American architecture...

Opera and Ballet

London, Lyndhurst State Kirov Ballet moves to the Business Design Centre...

Rome

Terzo di Caracalla, Daniel Oren conducting Aida, with Inna Tikhonova...

Trieste

Theatre Verdi, The Merry Widow, conducted by Rudolf Ballo...

West German cultural scene. There are about 60 works, paintings, graphs and plastics from 470 different artists...

Italy

Palazzo Grassi, The Pre-Raphaelites, the fourth major exhibition...

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Chicago

Pal Joey (Goodman), Set in Chicago in the 1940s...

Tokyo

Casey Messinger Siegfried (Parthenon) open air theatre...

Washington

The Search for Signs of Intelligent Life in the Universe...

Mitsubishi Petrochemical Company Limited advertisement with logo and contact information for various international branches.

Financial Times advertisement for the 'Have your F.T. hand delivered' service, listing postal districts and contact details.

Financial Times International Conferences advertisement for 1988, listing various business forums and seminars.

POLITICS TODAY: JOE ROGALY

The sands of Thatcher time

Not even Thatcherism lasts forever. The best way to comprehend this is to get out of Britain.

Here in London, the political atmosphere is suffocating: we seem to live in a one-party state under an all-powerful Prime Minister who seems set to go on and on and on.

This year the Democrats stand a chance of winning back the presidency. (One reason is that the Republican candidate, Mr George Bush, has all the magnetic attraction of Sir Geoffrey Howe, without the obvious competence.)

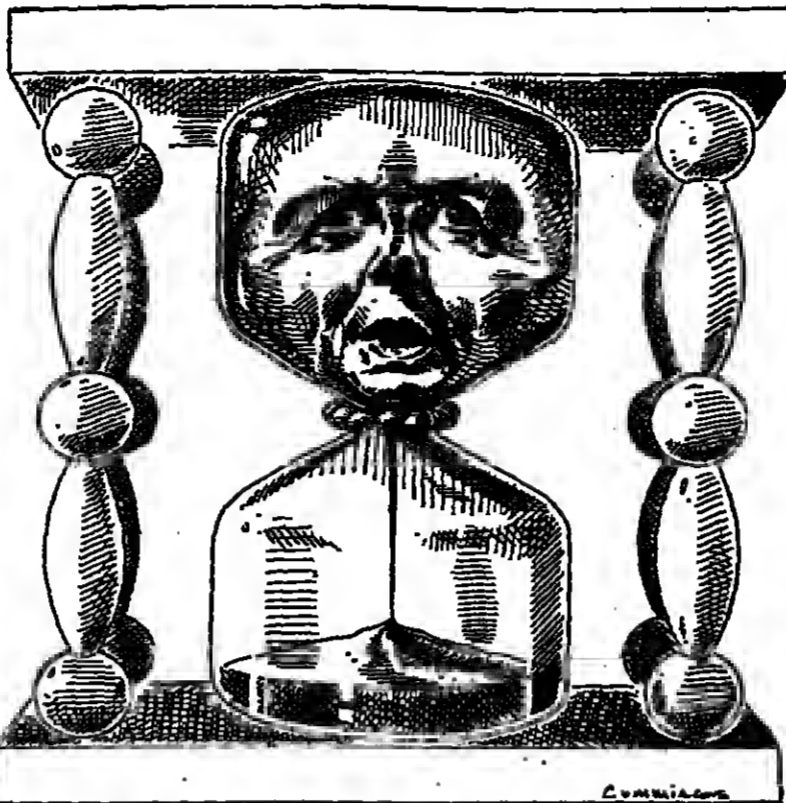
Looking at the British scene from outside does not always work. It has not worked for Mr Neil Kinnock, whose misadventure on his recent trip to Africa may turn out to have been the proximate cause of his destruction as a credible leader of the Labour Party.

But for us humbler folk travel can still broaden the mind. It is now clear that on domestic matters Reaganism (with its close associations with Thatcherism) will not long survive the departure of President Reagan.

Bring the lesson home, and you will see that even if Britain's opposition continues to disqualify itself from office it is by no means certain that Thatcherism will survive Thatcher.

The Home Secretary, Mr Douglas Hurd, is no instinctive Thatcherite. The new Secretary of State for Health, Mr Kenneth Clarke, is an able advocate and a passionate believer in the market economy.

It would be a mistake to conclude that the Cabinet is continuously in disagreement with the Prime Minister, as were her early Cabinets after 1979; nor would it be wholly correct to describe her ministers as a collection of self-seeking yes-men.



enthusiasm that comes from feeling that one is part of a winning team.

This aura of authority frees her from the need to put ideology before competence, as was shown on Monday when the undoubtedly Thatcherite Secretary of State for Health and Social Services, Mr John Moore, was left with half his department and the ideologically uncertain Mr Clarke was given Health to look after.

Mrs Thatcher's authority derives from her person as well as the office she holds. Yet if she were to depart from Number 10 Downing Street at any time before the next election the principal political effect of a non-Thatcherite Conservative succession would be delayed.

will surely at the least amend it to make it less regressive, but a reversal of policy is unlikely. The proposed new Official Secrets Act would be less authoritarian under a Prime Minister who was less obsessed with secrecy at all levels; once passed it is likely to remain unaltered on the statute books.

In the end there would, however, be one significant difference. The manifesto for the next election, which is likely to continue the series of social policy changes, would be one thing under Mrs Thatcher, and quite another under a less ideological successor.

The story is quite different when one moves from the social sphere to the management of the economy on Thatcherite principles. In this sense, everyone is a Thatcherite now: the belief has grown up in the Conservative Party that the mystery of how to run a modern economy has been solved. Yet the consistent application of the well-known principles of privatisation, deregulation and fiscal prudence may depend most of all upon the Prime Minister herself.

Britain's community charge The crude virtue of the poll tax

By Giles Keating

Messiness is inherent in tax reform. Some individuals receive a windfall gain, usually at the expense of others. Distortions of one sort are removed, but generally at the cost of creating or worsening some other distortion.

But the message of economists up and down the land is that the current reforms of property taxes avoid such messiness. They say that the proposed changes are unequivocally bad, worsening distortions without offsetting benefits.

The local power to tax businesses will be removed by the uniform introduction, alongside the poll tax, of the uniform business rate, fixed nationally. Moreover, the uniform business rate reduces wage inflation, at least partly offsetting the much-trumpeted boost to wages from abolition of its domestic counterpart.

Suppose - and it is a big supposition - that central government grants under the new system are equitably distributed among local authorities according to need. Then, via

the ballot box or by moving area, the electors can choose a level of local authority spending that is close to optimal, in the sense that most voters would be worse off if spending were either raised or lowered. So there will be a "market" for tax levels among competing public authorities.

Merely replacing domestic rates by the poll tax will not give this optimal outcome, because local authorities could increase taxes on businesses. When local businesses decline due to high rates, the voters cannot readily distinguish this from the effect of national economic policies. Also, the employees and owners of businesses often live outside the local authority area that taxes their business.

The effects are difficult to predict and will be complicated by new rateable values, but that is no reason for ignoring this key element in the reforms. So the Government's reform of property taxes does give a messy mixture of effects. If the reform were combined with a new type of housing taxation, there would be an improvement in resource allocation. Even without that new tax the adverse effect on wage inflation is at least partly offset by the impact of the uniform business rate, and there will be better decisions on the level of local authority spending.

LETTERS

'How much can the state now do?'

From Dr Aaron Nejad. Sir, Baroness Blackstone claims that the soft-core Inastitute for Policy Research will provide a challenge to the intellectual dominance of the right-wing think tanks, and explode some myths. But although she concedes that state intervention in the market has not always worked, she must be cautious not to perpetuate left-wing myths about the power of the state. How much can the state now do?

Technological change and the internationalisation of trade have increased the competitive pressures in the world economy. This has posed new problems for the state sector, traditionally associated with inertia and inefficiency. In addition, multi-national enterprises which control huge economic resources - and are prepared to mobilise them quickly and effectively - have often undermined industrial policy, and are gradually lowering the mast of the state as the main instrument for industrial policy.

Witness how Japanese corporations can influence profoundly the attitudes of workers, trade unions and even government. Often multi-national enterprises can effect economic changes as quickly and effectively that the state is rendered helpless to intervene. Similarly, the power of the state has been eroded by the increasing importance of "supra-state" organisations such as the European Community (EC), the International Monetary Fund (IMF), the World Bank, and even the United Nations.

Witness again the influence of the EC over the Government's negotiations with British Aerospace in the Rover group sale. The deregulation of trade barriers within the EC after 1992 will also have a profound impact upon economic performance.

Incentive to under-invest

From Mr A. Badger. Sir, Your perceptive editorial about regulating a privatised water industry (July 21) missed drawing an important conclusion. The Government has nailed its flag to the mast of price regulation on the grounds that it prompts efficiency. But as you point out: price control coupled with an obligation to provide profits to shareholders also creates a direct incentive to under-invest.

The assets are buried, must be pretty good unless close regulatory scrutiny is imposed. Resolving the conflict of interests of customers and shareholders in an essential service like water is an old problem. The existing 28 private statutory water companies do not have a regulator, but for over a century they have satisfied customers with their service and investors with a fair, albeit limited, rate of return.

Dramatic power of the City

From Mr Geoffrey Gardner. Sir, May I add to comment made on the causes of the October 1987 stock market crash? In 1974 the crucial factor seems to have been the insurance companies' attempt to become net sellers of company securities, briefly abandoning their necessary role of mopping up the regular sales made by the personal sector to cover capital taxes and to invest in single premium insurance bonds.

City of London being more dramatically demonstrated. All the institutions did the same in 1987, which may reflect the greater concentration of investment decision making since 1974; a very disturbing development. The figures give a clue for the failure of the housing market to drop with the stock market. The personal sector's enhanced liquidity went into the building societies, causing advances in the first quarter of 1988 to be 45 per cent up on the first quarter of 1987. The institutions' enhanced liquidity may have been repatriated, causing the pound to rise, and a flood of imports.

The election has changed Mexico's political landscape

From the Mexican Ambassador. Sir, This year's election has been the most contested in recent Mexican history.

Since polling day, all political parties have maintained a high public profile, through a lively debate and nearly daily public rallies. All these activities being conducted in a peaceful, orderly way. Various political parties have lodged complaints about alleged irregularities and the legal process to review the evidence presented is already underway. A newly-established independent tribunal is considering the complaints and will rule about them in the next few weeks. Later on, the electoral colleges of both houses of

the Congress will review the election process in its entirety. All political forces are living up to their commitment to use only legal procedures to present, publicise and defend their particular opinions and positions about the election results. Parties and authorities are operating within a constitutional framework that no one wishes to undermine.

of the Congress, where the different opposition parties will hold more than two fifths of the seats. The recomposition of political forces arising from the July 6 election has been the answer that the Mexican electorate has given to its own aspirations for political change. Restoring economic growth on a sound and sustainable basis, and reducing inequality, appeared clearly as the other major demand. The wide implications of this demand for change, in terms of new approaches to international economic and financial cooperation, cannot be ignored.

However, the results themselves, as announced by the Federal Electoral Commission, bear witness to the broad openness and fairness of the election, conducted with the participation of the representatives of the political parties involved. The results were not only in line with the expectations arising from the opinion polls, but they went even beyond in altering the balance of political forces in the country. Mexico's political landscape is a new one from July 6. The long-dominant ruling party, although retaining a majority in the newly-elected Congress, is part of a more balanced, pluralist scheme, in which other parties will play a larger role than in the past. The richness of political options open to the country cannot be contained any longer in a single dominant party system, or even a bipartisan one. This new balance of political forces will be fully reflected in the composition of the legislative bodies, particularly in the lower house

of the Congress, where the different opposition parties will hold more than two fifths of the seats. The recomposition of political forces arising from the July 6 election has been the answer that the Mexican electorate has given to its own aspirations for political change. Restoring economic growth on a sound and sustainable basis, and reducing inequality, appeared clearly as the other major demand. The wide implications of this demand for change, in terms of new approaches to international economic and financial cooperation, cannot be ignored.

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SECTION IV

FINANCIAL TIMES SURVEY

More than 40 new satellite television channels are due to be launched over the next two years, and

there are plans to manufacture a million low-price domestic receivers. But will viewers want the programmes that will be on offer? Raymond Snoddy reports

Programme of expansion

SATELLITE television, after years of delays, disappointments and losses, appears to be poised on the edge of significant growth - growth that could mean a large increase in the number of television channels available to viewers and the arrival in volume of a new electronic consumer product, the direct-to-home receiver.

Between now and early 1990 television satellites capable of broadcasting more than 40 channels direct to dish aerials on individual homes are scheduled for launch.

The surge in interest was best symbolised last month when Mr Murdoch, the Australian-American publisher, stood amid swirls of dry ice and inspirational music at a London press conference, and announced plans for four television channels on Astra, the Luxembourg-based satellite project due to be launched in November.

In addition to upgrading Sky, the general entertainment channel launched in 1981, Mr Murdoch said he was launching a film channel, a news channel and, in a joint venture with other European broadcasters, a sports channel.

But it was not just the four channel package that created headlines around the world. Not only would the channels

be "free" - advertising financed - but Mr Alan Sugar, the electronics entrepreneur who has made a fortune by making products such as the word processor affordable to the mass market, pledged that the retail price of the receiving equipment would be £199. As many as 1m receivers would be produced in the first year, and instead of sophisticated and more expensive satellite standards such as D-MAC, Mr Murdoch would use PAL, the existing television standard.

It is too early to say what the effect of Mr Murdoch's plans will be on British Satellite Broadcasting, the UK's \$25m direct broadcasting by satellite project scheduled to begin its three channel service before Christmas 1989. BSB is a very different project which will use D-MAC receivers, be funded by a mixture of advertising and subscription revenue and will be spending more than £100m a year on programmes, a high proportion specially made by independent producers.

According to a Sky memorandum, the channel is planning to pay \$3,500 an hour for series for its upgraded service and \$4,000 an hour for TV movies and mini-series. "You can't even buy the Lone Ranger for that kind of money," commented Mr Gunnar Rugheimer,

managing director of Galaxy, BSB's general entertainment channel.

Mr Anthony Simonds-Gooding, the BSB chief executive, envisages BSB as the "third force" in British broadcasting after the BBC and ITV. If consumers do, however, buy the £199 receivers in large numbers it could put a serious dent in BSB's hopes of reaching 400,000 homes in its first year.

To further complicate the picture Mr Robert Maxwell, WH Smith and British Telecom have brought together a third block of existing channels already available on low power telecommunication satellites into a single package for transfer to a medium power direct-to-home satellite. The plan

is either to transfer them to Astra - although they will use the D-MAC standard because the aim is to offer them as a subscription package - or to wait for the launch of Eutelsat II, a new 16-channel television satellite due to be launched by the European Telecommunications Satellite Organisation early in 1990. At the moment the group appears to be leaning towards Eutelsat, although no final decision has yet been taken.

Mr Ted Turner's 24-hour a day news channel, Cable News Network, is, however, likely to opt for Astra, although it has not been decided yet whether to use PAL or D-MAC.

For the consumer and the electronics industry there is now the real possibility of



Satellite Broadcasting

three different satellites with three different standards. Although the manufacturers say they will be able to deliver motorised equipment that could pull in pictures from all the main satellites, the cost is unlikely to be much less than \$800.

The proliferation of new channels and dishes could provide a boost for cable television which has the capacity to collect all the available satellite channels and distribute them to the consumer as a retail service. By law the modern cable networks, now with a total of 45,000 subscribers, have to carry the three BSB channels.

Already there are more than 20 channels available on low power satellites over Europe, largely delivered to the consumer by cable, although none are believed yet to have broken even. The available channels include WH Smith's Lifestyle and Screenport channels; Premiere, the film channel; Super Channel, owned by Virgin and a consortium of ITV companies; and RAI Uno, the first Italian channel re-broadcast by satellite for Italian expatriates throughout Europe.

The creation of a new direct-to-home market will, however, come at the very time when there is an enormous intensification of competition for the viewer's time and money.

In the UK, commercial television is now broadcasting 24 hours a day and the government is likely to give the go-ahead for a fifth conven-

launched last November but the satellite never worked properly and eventually had to be declared a total write-off by its owners the German Bundespost.

The second TV-SAT is scheduled to be launched next summer although, in the meantime, the commercial channels RTL Plus and Sat 1 have been dramatically extending their audience by broadcasting on normal broadcasting frequencies in addition to cable television. Earlier this month the private broadcasters got access for the first time to terrestrial frequencies in the important area of North Rhine Westphalia and its 22m population.

The deal, which gives the commercial broadcasters access to spare frequencies does, it is believed, also include an obligation to use a German DBS satellite when one becomes available.

In France TV-SAT's twin TDF1 is still sitting firmly on the ground although it is due to be launched by Ariane in October. Apart from the fact that it will carry la Sept, a cultural channel, and possibly 16 channels of digital stereo radio, final decisions have not yet been taken.

There seem to be no takers at all for Tele-X, the 27th Swedish, Norwegian and Finnish DBS satellite for which neither broadcasters nor telecommunication operators seem prepared or able to pay.

In Ireland, Atlantic Satellites, a company 80 per cent owned by Hughes Communications of the US, has been awarded a 10-year contract to operate an Irish DBS service which would, in effect, be aimed at the UK market. It is not clear when, or even if, such a service will be launched.

The number of people who will be persuaded to buy new domestic equipment because of the technological beauty of satellites will be limited indeed. The battle will be won or lost on the quality of the programmes: the new broadcasters will need to produce programmes for which the consumer is prepared to pay, or they need to be attractive enough to provide audiences too interesting for advertisers to ignore.

CONTENTS

British Satellite Broadcasting: Ambitions to be the best Launch vehicles: French have a head start	2	Programmes: Schedules need much improvement Data: Potential for using parts of the TV bandwidth for data	5
Astra: The battle to be 'hot-bird' is far from over Hardware: Hopes fade	3	The US experience: Fragmentation as viewing levels fail to rise	6
Eutelsat: A second generation Receiving equipment: Getting geared up	4	Scandinavia: Tele-X is the satellite that nobody seems to want	6
Advertisers: An alternative to ITV	4	France: Ambitions for the language	6

ditional television channel, and possibly even a sixth. In the past two years the proportion of homes with video recorders has risen to more than 50 per cent and the UK video rental market is now estimated to be worth more than £200m a year.

Against such a background, Frost and Sullivan, the US consultants, forecast in a study of the market for DBS in Western Europe published earlier this year that by 1997 about 19.5m households in Europe would be able to receive satellite television on their own receivers or on SMAT systems - delivery to a single antenna servicing a block of flats. About 9.5m would be receiving DBS new channels through individual home reception equipment.

The report was published before Mr Murdoch's announcement.

Mr Patrick Whitten, managing director of CIT Research, a UK communications consultancy which has been following the development of cable and satellite since 1983, is much more pessimistic.

"By 1988 we think nearly 30m homes in Western Europe will receive satellite television but only about 1.4-2m will be received direct, the rest will be on cable which we see growing at 9 per cent a year," said Mr Whitten.

In the UK Mr Whitten, who says his projections assume that many of the things that could go wrong actually do, believes that 2m to 3m homes will be receiving satellite television but only 500,000 of them direct with their own equipment.

Mr Whitten points out that last year the main four satellite channels, Sky, Super Channel, Sat 1 and RTL Plus, had total revenues of 61m Ecu (\$40m) and total losses of 130m Ecu (\$86m). Certainly, until now, the fate of the national high power DBS satellites has not been a happy one. More than 10 years after the World Administrative Radio Conference allocated five DBS channels to most nations, not a single European DBS project has actually begun broadcasting.

The West German TV-Sat, scheduled to broadcast two private and two public service channels, was successfully

Modern technology provides a vivid contrast with the tools available 900 years ago when William the Conqueror compiled his Domesday Book survey of Anglo-Norman England.

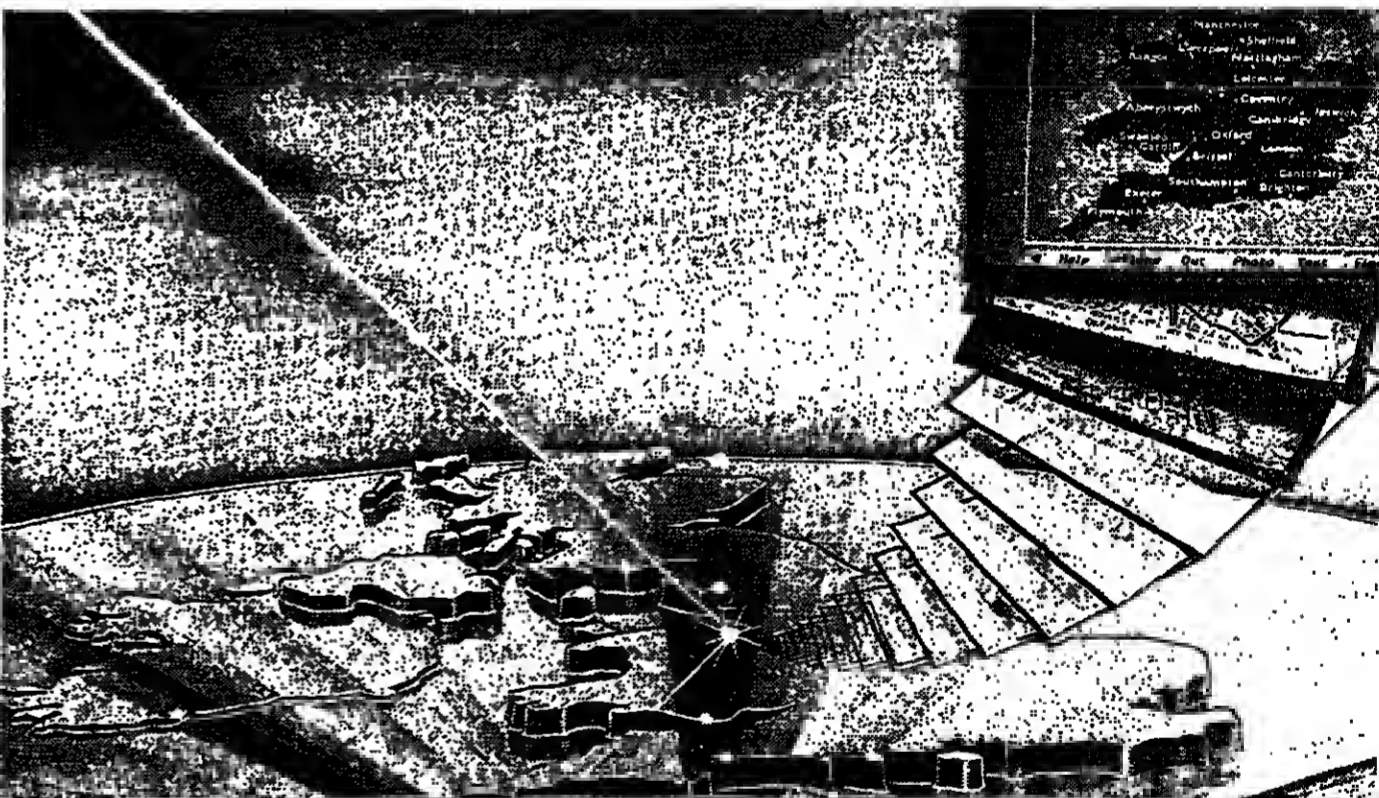
For if the British Broadcasting Corporation's 1986 Domesday Project was also published in book form, it would fill over 300 volumes and take seven years to read.

Instead, this ambitious survey of 20th century British life, comprising 250,000 pages of text, 50,000 photographs, 24,000 maps, 60 minutes of video and millions of statistics, is 'printed' on only two IV-ROM (Laser Vision-Read Only Memory) discs of the Advanced Interactive Video (AIV) system.

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SATELLITE BROADCASTING 3

Astra, the satellite chosen by Mr Murdoch, should be operational by the end of the year

The battle to be 'hot-bird' is far from over

ON NOVEMBER 4 this year, if all goes according to schedule, the European space rocket Ariane will blast off from French Guiana and place Astra, a dedicated 16-channel television satellite, into orbit.

By December the satellite, owned by the private Luxembourg company Societe Europeenne des Satellites (SES), should be operational and capable of broadcasting its channels over much of Western Europe but in particular to the three main European markets of the UK, West Germany and France.

Astra is noted for being the first medium power satellite to be launched in Europe powerful enough to deliver programmes direct-to-the home as well as feed channels to the cable television networks of Europe. Its channels can be received over the southern half of the UK with a 60cm dish but for northern England, Scotland and Northern Ireland 75cm will be needed.

It is also the first private sector satellite to be launched outside the Eutelsat and Intelsat international satellite organisations operated for national post and telecommunications authorities.

Since the beginning of June Astra has probably been best known as the satellite chosen by Mr Rupert Murdoch to realise his television ambitions.

On June 8 Mr Murdoch,

whose News International group controls Sky Channel, the first satellite entertainment channel in Europe, announced at a press conference that he had leased three satellite transponders on Astra from British Telecom International with an option on a fourth.

Now Sky would be joined by three new channels - Sky News, Sky Movies and Eurosport, a joint venture with a group of Europe's public service broadcasters including the BBC.

Even more significant for the shape of future competition Mr Murdoch decided to go for the most straightforward approach. It is envisaged that the channels would be "free", financed by advertising, and to keep the cost of the receiving equipment to a minimum the standard used would be PAL, the same as existing television sets in the UK and most of Europe.

By Mr Murdoch's side when the announcement was made was Mr Alan Sugar, the consumer electronics entrepreneur and chairman of Amstrad, who said he expected the retail price of basic PAL receiving equipment, including value-added tax, would be £189, although a more sophisticated version with remote control would cost £254. One million receivers would be available in the first year, he promised, and Dixons, the consumer electronics retailer, would take 500,000 of them.

At the time, the move seemed decisive. Mr Murdoch had done it again and pulled off the television equivalent of the dramatic move of his British national newspapers to Wapping, leaving the opposition trailing in the wake of another master stroke.

It would, of course, cost a lot to run four channels without

subscription income. But he was acquiring something that could not be bought in any other way. In effect he has acquired a national four-channel commercial franchise, potentially covering the whole of the UK, without having to ask the permission of either the Independent Broadcasting Authority or the Home Office because the signals would be coming from outside UK jurisdiction.

The programmes on Sky, the general entertainment channel which first began broadcasting in 1982, would be upgraded and three new channels created by February.

For Astra the deal, worth £100m over 10 years, broke the logjam of potential users negotiating for transponders but not actually finally committing themselves.

It also gave an enormous boost to Astra's strategy of trying to become the "hot-bird", the satellite that all the channel operators would want to be on and all the diables would be pointed at.

For British Satellite Broadcasting the Murdoch initiative seemed to spell enormous trouble. Would the high-power, high-cost venture really be able to raise second round financing of £400m for its three channels in the autumn of 1989 when Mr Murdoch was already in the field with four channels and the possibility that a further six English language channels provided by the Maxwell/WH Smith consortium would join them on Astra?

Certainly SES, with paid-up capital of £110m, and shareholders which include Luxembourg banks, financial institutions and Thames Television, one of the largest British ITV companies, is now confident enough about the future to begin preparations for ordering a second satellite.

At the moment there seems little interest in Astra transponders in France and it is far from clear whether the German language satellites such as RTL Film and Sat Ems, now concentrating on expanding their audiences by using ordinary land-based transmitters, can be persuaded to climb on board. Two Scandinavian channels will, however, be carried by Astra.

If Mr Murdoch were to find himself alone on Astra - although Astra is confident this will not happen - it is believed that conditions in his contract might allow Mr Murdoch to exit himself.

Mr Murdoch also faces a number of difficulties which may not make Sky Television quite such an immediately devastating threat to SES as might initially appear. There is short to create three new channels by February and because



Mr Rupert Murdoch announces the three new channels. From left: Dr Pierre Meyrat (Director-General, SES); Mr Murdoch; Mr Alan Sugar; Mr Marcus Bicknell (Commercial Director, SES)

these will be funded entirely by advertising it is far from clear how attractive the programmes can be.

Sky television will also have to build up its audience very quickly if it is going to attract advertisers although they will welcome the prospect of an alternative to the ITV companies.

There is also the dangers that with several satellite projects under way planning to use different standards - both SES and the Maxwell/WH Smith group plan to use D-MAC rather than PAL - the public may wait a while for the dust to settle before going out to buy satellite receiver equipment. Some see parallels with the video recorder market and the battle between three rival standards until VHS emerged victorious.

Mr Marcus Bicknell, commercial director of SES, believes that the decision to offer free channels using PAL and subscription channels using D-MAC need not be a problem and might ultimately increase the overall size of the market.

The consumer, he hopes, will begin by buying low price equipment to watch the free channels and then trade up later by adding a module to his receiver to be able to view the subscription channels.

Both Mr Murdoch and Astra have, however, first to hold their breath that Ariane's recent run of successful launches continues and that everything works on the Astra satellite before the satellite revolution in Europe really gets under way.

Raymond Snoddy

HARDWARE

Hopes for orders fade

A FEW years ago there were high hopes in the world satellite industry that plans for direct TV broadcasting services would lead to a rush of orders for space hardware. Many of these hopes have, however, faded.

In the early 1980s it had appeared that six or so rival direct-broadcast services could have been operating in the US alone by the end of the decade. That figure could have been added to by a similar number of West European services.

Each service, according to projections in the satellite industry, would have been expected to require two, sometimes three or four, spacecraft designed and built for up to \$80m each.

Such a train of events would have led to a stream of orders for the big satellite companies, which comprise mainly the US giants Hughes Aircraft, Ford Aerospace and RCA (the latter now part of General Electric of the US). European companies such as Aerospaciale, British Aerospace and Messerschmitt-Bölkow-Blom could also have been in a position to win useful orders.

In the event, the forecasts have turned out to be woefully inaccurate. They have under-

lined the impression that business projections in the space industry often owe as much to wishful thinking as to hard-nosed market research.

It is in the US where the optimism on the part of the satellite business has most evidently ebbed away. This might appear unusual given the US reputation of being in the vanguard, certainly ahead of Europe, in technological progress.

However, special factors have been at work - the most relevant being the common-sense notion that the heavily-cabled US conurbations already provide many of their citizens with quite enough TV. There was, therefore, a natural disinclination by the average consumer to want more in the way of broadcast TV from satellites.

Another factor that has made Europe, rather than the US, a more receptive place for satellite TV services is its relative size. It is easier and cheaper to design a satellite which will broadcast signals over a small area than a large one. This is a factor of the amount of power that the spacecraft's antennas require to transmit TV pictures and sound over a specific region.

Thus, in commercial terms, a TV broadcasting service over a European country or region is more likely to be practicable than one which seeks to operate over a much larger land area that is part of the US.

Satellites for direct-broadcast

TV are intrinsically similar to conventional communications craft that transmit telecommunications traffic. The main difference is that they generally send signals at higher power levels so that the signals can be received by relatively small dish aerials a few feet in diameter.

Conventional communications vehicles, in contrast, send radio waves at relatively weak power levels which can be picked up only by big dishes, along the lines of those which British Telecom operates at Goochhill Down in Cornwall.

Satellites which use a lot of power are normally big and relatively expensive, a factor of the extra thrust, fuel and solar panels which they will need to operate.

The more power they broadcast, however, the smaller and more rudimentary will be the receiving equipment which people will need to obtain signals from the spacecraft on Earth.

Thus, for a direct-TV service operator, there is a trade-off between the sophistication of its space hardware and that of the dishes on the ground that viewers of the operator's programmes will need to install.

Very high power satellites, which transmit at 100W-250W per broadcast channel, will require relatively small aerials of perhaps only 2ft in diameter. A service of this type is planned in the US by Florida-based Dominion Video Satellite, one of the few would-be TV satellite operators in the US still in the running.

A report* on the satellite industry published by Lloyd's of London says there are 11 US-based satellite TV ventures which are at the planning stage, although the report reckons very few are likely to go ahead as scheduled.

Dominion, which plans to channel religious TV programmes to an audience mainly of evangelical Christians, hopes to start its broadcast service in late 1989. It has an agreement with General Electric to use a high-power satellite which at one time was to have been used by Comsat, a big US satellite operator, for a TV service.

Comsat abandoned this venture in 1984, leaving the spacecraft available for use by Dominion instead. The Florida company hopes that by the end of 1989 up to 500,000 people will have agreed to pay a fee to obtain signals from its satellite.

They will be required to put up a one-off payment of \$175 which will provide them with an unscrambling device to decipher the coded TV traffic from space. The signals will be received with dishes costing about \$475 and made by Radiation Systems, a US electronics company.

Other direct-broadcasting satellites will use less power and will require slightly bigger receiving dishes. In this category are the spacecraft to be used by the Luxembourg Astra service which is due to begin broadcasting later this year. The satellites for this venture are being made by General Electric, while those for another European service due to be started by British Satellite Broadcasting next year, are under construction by Hughes Aircraft.

It seems likely that these two services will be the main commercial TV satellite ventures in Europe by the end of the 1980s. Also due to be launched over this period are several other government-sponsored TV satellites, such as the Olympus spacecraft being planned by the 13-nation European Space Agency, but the degree to which these will be used for commercial services is unclear.

* World Satellite Survey by Roger Stannard, Lloyd's of London, Lime St, London EC3 7EA.

Peter Marsh

Business projections often owe as much to wishful thinking as to market research

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Satellites for direct-broadcast

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SATELLITE BROADCASTING 5

British audiences are unlikely to want more of the same

Schedules and information need much improvement

SATELLITE television will stand or fall — by or plummet — on the quality of its programmes.

That is no mere truism. Indeed, it may be that the British experience will prove quite different from anything so far seen in the rest of the world.

In the US the take-up rates for new transmission technologies, cable and cassette as well as satellite, have been governed to a large extent by the poor quality of signal received by so many viewers from conventional terrestrial systems.

To take an extreme example: people living in the Rockies

have been willing to pay thousands of dollars for big domestic satellite dishes simply in order to receive a recognisable picture from the standard ABC, NBC and CBS network services.

Furthermore, American operators of the new technologies seem to have benefited from irritation among viewers about the intrusive frequency and length of commercials in the US. People have been willing to pay for new services because they promise fewer interruptions from advertisements.

In Europe the chief attrac-

tion of the new technologies has been quite different. Throughout most of the history of television many viewers on the Continent have been starved of light entertainment.

In France, Italy, Germany, Spain, and elsewhere public service broadcasters have been the dominant and, in some cases, the sole programme providers.

An audience fed largely on a diet of news, current affairs, serious drama, religion, opera and so on is a relatively easy target for a service such as Sky with its American action series, sport, and light entertainment.

can, they have certainly not been starved of it: BBC1 and ITV have long provided a plethora of game shows, soap operas, sitcoms and light drama.

The way in which videocassette recorders are used in the UK and the US also offers a clue to possible differences in reactions to satellite services.

Whereas Americans bought VCRs primarily to play rented cassettes, in other words, as a way of watching less network

assertion that satellite services in Britain will depend for their success on the quality of the programmes.

Operators of DBS channels will have to persuade viewers, who are already saying that there is more television than one person can watch, that they should spend a considerable chunk of disposable income on increasing the quantity of television entering their homes.

As with items such as per-

the public will want to know exactly what programmes they can expect from the new service before they will even consider forking out £199. And the schedules will surely have to improve dramatically compared to what is currently on offer before most people will risk that new outlay.

Take an evening at random earlier this month: Thursday, July 7. Being near the start of the summer, it was not one of the most impressive evenings for terrestrial television; there were numerous repeats. Here is BBC1's evening schedule:

- 8.00 Wrestling
 - 8.55 Headline News
 - 9.00 Monroe Indy/C.A.R.T. World Series 88
 - 9.58 Headline News
 - 10.00 The Great Video Race
 - 11.00 Masters Of Rock
- ITV programmes that night included the game show *Lingo*, *This Week*, and a repeat of the police series *The Bill*. Channel 4 offered the second episode of the European co-production drama *Fathers And Sons* and a 60-minute interview with Viv Richards. On the Super Channel satellite service meanwhile you could have:
- 7.00 Baseball
 - 8.00 Basketball
 - 9.00 News
 - 9.35 Golf
 - 10.40 Gaelic Football
 - 11.40 Music Box (rock and pop)
- It is difficult to believe that a great many British viewers would be willing to spend much money to gain access to satellite schedules of that sort, given the programmes already available in their homes.
- Some, presumably, would pay the price for a service which included a news channel (promised in the Murdoch package) and in particular a film channel (this has been promised by several potential satellite operators, including Mr Murdoch).
- Even here, however, it is instructive to look carefully at what is being provided already. On Thursday, July 7 Channel 4 offered the 1946 Ealing film *Here Come The Co-Eds* at 6.00, and Channel 4 showed *The Bonds Of One Rosary* (Polish, 1960) at 12.20.

On the same day the existing satellite film channel Premiere provided this schedule:

- 6.15 Phase IV
- 7.35 Crime Story (presumably the "special" launching a new American TV series)
- 9.15 Melanie
- 11.05 *Spawn Of The Slithis*
- 12.30 *Up From The Depths*

And the list for Filmmet, the other existing satellite film channel, over the same period of the evening was:

- 6.00 *Fire With Fire*
- 8.00 *The Amateur (1982)*
- 10.00 *Age Of Consent (1969)*
- 12.00 *Runaway Train (1985)*

In many cases, it is impossible to discover very much about these "films" since even *Satellite TV Europe*, the monthly listings magazine which publishes satellite schedules, prints merely the title and certificate and no other information.

Quite a number appear to have been produced specially for the satellite/cable/cassette market, and are not (yet) listed in any standard film encyclopedia.

But even without any background information, it seems likely that a radical improvement to such schedules would be needed before any significant proportion of British viewers would consider spending three times the licence fee to acquire four — or even 10 — more channels.

Programme quality will be crucial.

Christopher Dunkley

DATA

Swift means of delivery

HIDDEN FROM the glare of publicity surrounding the imminent arrival of a multitude of satellite TV stations is the potential for using the unused parts of the TV bandwidth as a mass distributor for data.

Until recently, such a sensible usage of spare transmission capacity was illegal in the UK, except for teletext services. In 1984 there was a change in regulations which permitted the BBC and IBA to run encoded data over their terrestrial TV networks, thus providing a vehicle for subscription data services.

The BBC provides its own Databast service but the IBA decided to license a third party to do it for them and chose a joint venture company set up with telecomm value added provider and cellular retailer, Air Call, as majority partner with Omnicast.

Data broadcasting services solve a data delivery problem

Irland, together with the existing two terrestrial services.

At present Air Call, which is cheaper than Databast, sells a 1200bps terrestrial bandwidth for about £180,000 a year, whereas BT charges for a bandwidth of about £30,000 for 64Kbps. How on earth does Air Call sell this capacity at such a good price? The answer is that first, receiving decoders for the Air Call service from suppliers like IGG and Bishopsgate cost about £250 to £350 and aerials cost some £150 installed. Receiving stations for BT's satellite services can cost 10 times this. Second, BT appears not to have been marketing the service aggressively and has been hidebound by legislative barriers.

The satellite scene will now change rapidly. The terrestrial players have been limited by available capacity — only about 4x14Kbps bandwidths have been released to date. With high power DBS there will be low cost receivers and dishes backed by players with big bandwidths and money with which to exploit it.

The satellite DBS programme operators have to decide how much capacity they will release for non-entertainment purposes. News International has opted for PAL which only allows about 154Kbps per channel, whereas BSB, using D-MAC, gets 1 Megabit per second per channel.

Then there are the existing low power satellite operators which, presumably, will be looking for customers as the TV operators move away to the higher powered transponders. From being limited by broadcast capacity, data service operators could soon be spoiled for choice, assuming the satellites are successfully launched and the first, Panamsat which seems to be suitable for data, has just been successfully put into orbit. This scenario must reduce the price the terrestrial people have obtained hitherto but the high power DBS transponder operators should be able to command a higher price than BT's £30,000 a year for 64Kbps.

Data broadcasting operators must put the technical aspects of bandwidth in their proper place, certainly in relation to the key issue of marketing. Gone are the days when customers queued up for telephone and telex as the only means of rapid communication. The choice factor has forced all successful vendors of

There will be AB trend-setters who will buy satellite dishes regardless of the programmes

television, the British — who reached a 50 per cent home penetration faster than any other population — have used their machines largely for time-shifting (recording one programme for viewing later, while watching another); in other words, for watching more network television.

What all this suggests is that the British are remarkably pleased with their existing television services, and that is, indeed, what surveys on the subject conclude. Hence the

There will be AB trend-setters who will buy satellite dishes regardless of the programmes

sonal computers and CD players, there will doubtless be AB trend-setters who will buy satellite dishes regardless of the programmes offered, simply to be in the vanguard with a new toy. Towards the other end of the social scale there will no doubt also be a number of early buyers who will see Mr Sugar's dish as a more important status symbol than a new car number plate.

But it seems likely that — as cable operators have discovered in Britain — the mass of

Successful vendors of new services have had to learn the skills of marketing

not easily provided by telephone company circuits which are point to point in nature, rather than the point to multi-point nature of broadcasting. Reuters and the International Stock Exchange were quick to grab a slice of Air Call's, and the BBC Databast's bandwidth respectively, followed by betting shop chains, Ladbrokes and Coral Racing. More recently, the Halifax Building Society is to distribute information and advertising in the form of high resolution NAPLES graphics to customers in its retail outlets.

The advantages offered to information publishers using data broadcast services rather than telephone lines are that where the same information is to be sent to a large number of recipients, data broadcasting is not only much cheaper, but the information arrives virtually instantaneously and simultaneously to receivers in all parts of the country and, for satellites, all parts of Europe.

Additionally subscribers to these services need not do anything difficult like log on to some remote database to receive the information, but can happily wait until their terminal is given, instantly if required, that bit of information they are waiting for. All users need is a suitable aerial, regular TV or dish and suitable decoder feeding a PC or alternative processor, storage or display device. New users can be hooked up very quickly. The information supplied is normally addressed and scrambled. This allows a message to be received by one person only, or any number.

Recently the Department of Trade and Industry has announced that it will license six special satellite service operators and expects to announce the lucky ones late this year. Many, no doubt, will apply for whole transponders for video-conferencing and others will request access to the unused parts of the TV transponders. The best deals will largely be determined by two factors: the price the licensee can negotiate for satellite capacity, and the price of the user's receiving stations, which is determined by the transmitter power in the satellite and the purpose for which it is used.

In large network data broadcasting systems the largest cost element will be the user's receiving station, and in this regard the dishes and decoders distributed for DBS must have the cost edge and will be very suitable for services requiring up to 64 kilobits per second. Of course these decoders will also receive full field data, that is full TV bandwidth — which capacity, network or transponder owners may well wish to sell to data broadcasters when entertainment TV is off the air.

What is this hitherto unused capacity worth to the broadcaster? This is going to be a highly competitive field, with six licensed satellite operators linking up from the UK, plus BT and Mercury, plus operators outside the UK from France, Germany, Italy and

Home shopping must be one area that has great potential in the domestic market

new telecom services to learn the skills of marketing.

The present operators in the field have found that customers need solutions and network management rather than bandwidth. The packaged solutions from Bishopsgate and IGG include special terminals and the very important special software, as well as the bandwidth in a one-stop shopping service, be it in financial, retail or educational sectors, though not yet domestic.

A big unanswered question hangs over the domestic market, remembering, of course, that DBS is designed for the home. Will News International, for example, extend the remit of newspapers to the Amstrad home printer attached to an Amstrad PC and Amstrad PAL receiver? Teletext, after all, is a newspaper of the air. Certainly, business, or even sports news could be distributed in this way.

Home shopping must be one area with the greatest domestic potential. Chris Curry's Key-line home shopping terminal, to be given away to two million homes by 1992, will not replace the Kay's beautifully prepared home shopping catalogue. Colour still frames, individually delivered via satellite to domestic receivers is an alternative — Tandata has already demonstrated the technology in Scandinavia. If the 2 million households had rewritable CD disk players, Kay's would really have an alternative to the catalogue.

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SECTION III
FINANCIAL TIMES
SURVEY



The Isle of Man economy is booming. Unemployment is under 4 per cent.

There is a rash of new office building for a growing financial sector. The island has also just passed an important test of its regulation of this industry. Ian Hamilton Fazey reports.

A boost in stature

THE ISLE of Man has been put to a severe test in the last 12 months, but passed it with no small degree of satisfaction. Mr Peter Clowes, founder of the defunct Barlow Clowes investment group, twice tried to use nominees to buy banks on the island, but failed.

The island's supervisory machinery — through which the growth and operation of the rapidly developing financial sector is being controlled — worked.

Confidentiality surrounds all applications for banking licences, but this is a case where the island's government has not minded the leak. It is good news for the blue-chip bankers from around the world it wants on the island.

Not only has it demonstrated resolve but it speaks volumes for the financial supervisors' intelligence network for they were wary enough to say no at a time when the Department of Trade and Industry in the UK was about to re-litigate Mr Clowes' operations on the mainland.

There is now a very obvious *schadenfreude* on the island at the discomfort of the DTI in Britain and of the authorities in Gibraltar — where Mr Clowes had substantial off-shore operations.

The Manx companies regis-

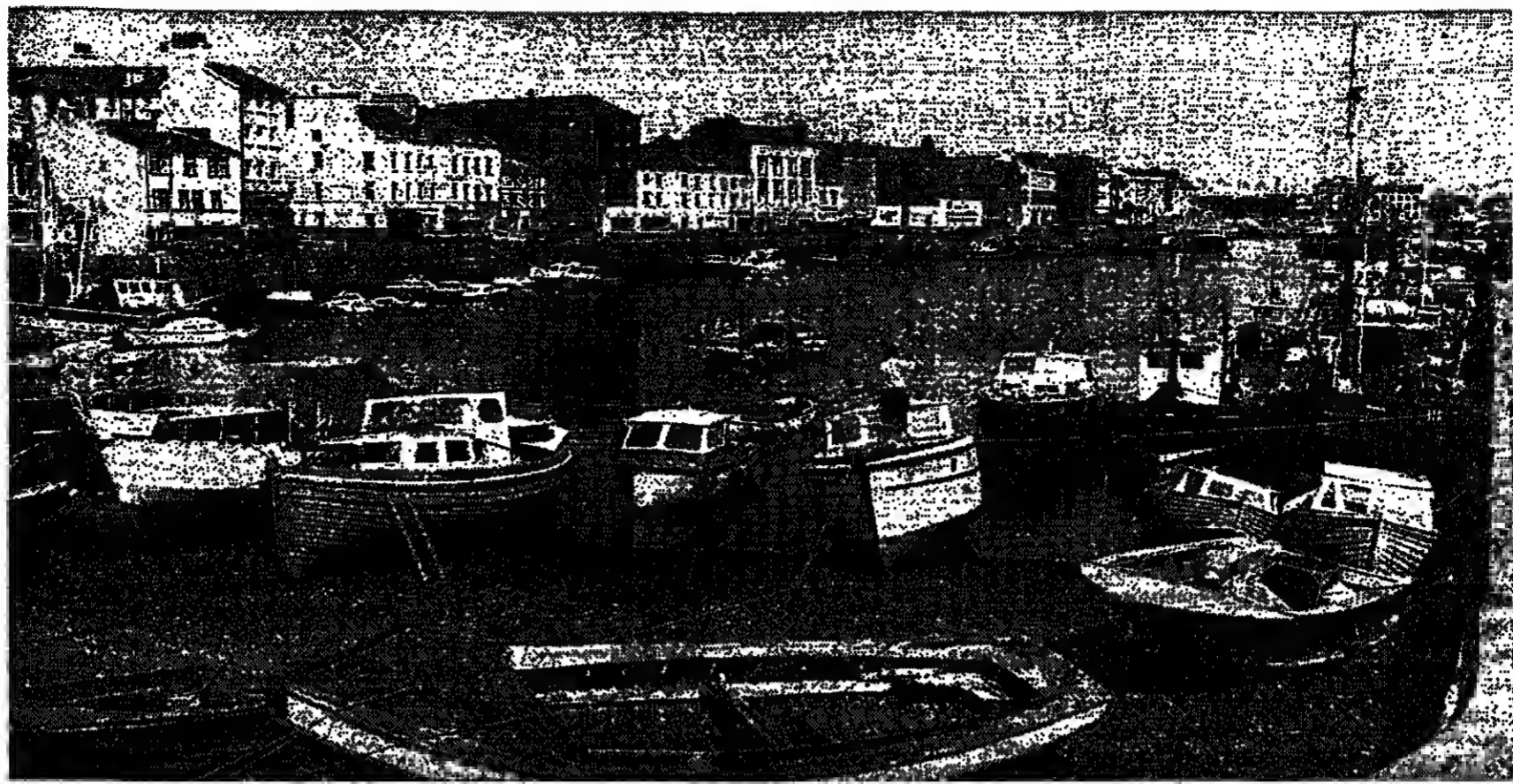
try has been combed and the only strong connection found has been his involvement in Corporate Aviation, a company which markets executive jets and helicopters. Mr Clowes was a co-director with Mr Peter Henwood and Mr Andrew Sebastian, his known associates on the island.

Mr Henwood and Mr Sebastian have since been trying to distance themselves from Mr Clowes. However, he also tried to buy his own main, privately-owned business, the International Trust Corporation of Ramsey.

Negotiations were close to completion when the Stock Market crash of last October wiped out the value of shares in the publicly-quoted James Ferguson Holdings, the Barlow Clowes parent, with which paper Mr Clowes intended to pay.

Mr Clowes could have done what he liked with the corporation had he managed to buy it, so this near squeak has raised questions about the regulation of private trusts and, indeed, other Manx-registered companies.

Tighter control of the companies register was already on its way — announced by the island's attorney-general last year — but is stalled by an argument about whether



Douglas harbour, Isle of Man

Isle of Man

The loose ends of the collapse are being tidied up now, with the trial of some of the principals involved on charges connected with the running of the bank and a forthcoming civil action by some depositors against the government, alleging negligence in supervision.

Things are very different now: Mr Miles Walker, chief minister of Tynwald, the island's ancient parliament, says: "As far as we can we are preventive and we are certainly telling people that there is a lump of business about that we don't have to take and don't want."

"We are trying very hard to raise our image. The response to that worldwide has been very good. People are recognising the Isle of Man now as a centre of some stature and importance in financial services and not as some 'groovy little place in the Irish Sea.'"

How far the message has got home became very clear on Tynwald Day, when the

island's new laws are proclaimed each year in an age-old ceremony. Mr John Abbott, treasury attaché at the US Embassy in London, attended and was entertained afterwards at a lunch hosted by Mr David Cannan, the island's finance minister to mark what was coincidentally American Independence Day.

Mr Abbott said that financial crime and the laundering of drug money was a continuing worry to the US government. He added: "It is heartening to come here and learn what steps have been taken. Actions and words are increasingly convincing, and firms are vowing with their feet to come and do business here."

The influx has led to a developing economic boom that has intensified considerably in the last year. Unemployment is now below 4 per cent. For the first time ever, substantial numbers of ordinary financial sector workers on the overcrowded islands of Jersey and Guernsey are applying for jobs

on the Isle of Man, for so long the Cinderella of European off-shore centres.

Mr David Lever, who went to the island 17 years ago to open a branch of Singer and Friedlander, the London merchant bank, says: "We are the only low tax area in this time zone with the room to develop and the ability to keep costs relatively low."

"The speed of change has surprised most of us and caused some problems, particularly in staffing, house prices and office space. Rents are rising. Head hunting is just beginning. Young people from the Channel Islands are coming here because they cannot afford to buy property there."

Mr Cannan says: "Quality attracts quality and more and more people are coming here. People know that we have strong regulatory machinery and that we are not interested in the grubby end of the market."

Despite near full employment, however, there are

strains. Tynwald Day had a blacker side, for the letters "FSFO" were burned with weedkiller into the grass at the open-air site where the ceremony takes place. The letters had to be painted green to hide the damage, but the point had been made.

"FSFO" stands for "Financial Sector F. Off" and there has been a spate of doings in some parts of the island. An extreme minority of Manx traditionalists are believed responsible.

The protest is about the ending of the island's formerly sleepy, little-regulated way of life, about an influx of highly-paid executives in the financial industry, about a dangerous, developing gap between haves and have-nots, despite full employment.

It is also about a hike in house prices because of shortage, which makes it impossible for local, lower-paid first-time buyers to get on the property ladder.

These are the problems of sudden, spurring growth. The social infrastructure of everyday life takes time to catch up with rapid change and so tension and conflict become almost inevitable.

This showed tellingly in a widespread strike over the issue of local employment

CONTENTS

- Accountancy: ssa change in attitudes 2
- Legal services: local gap begins to close 2
- Financial services: a wider spread with room to grow 3
- Economy and Society: the quest for quality 4
- Property: planners hold boom in check 4
- Tourism: a move up market 5
- Fish Farming: taming the turbo 5
- Transport: Government seeks more say 5
- Labour relations: goodwill no longer enough 8

terms earlier this year which cut off the island for a short time. The causes had been building in several minor disputes in many places, but it highlighted the fact that the island had no industrial relations legislation, no employment protection laws, and no structure of rights and responsibilities that either side of industry could fall back on.

They were not needed when goodwill and a small, friendly community were enough, but they are needed now. Urgent steps have been taken this summer to draft appropriate laws. At the same time, the government has spelled out its social philosophy in a seminal document entitled "The Development of Prosperous and Caring Society."

The government has not over-reacted to the FSFO protest. It has kept emphasising the vast majority that without the financial sector, economic growth would be too slow to pay for the falling levels of already low taxes delivered in the last two budgets.

Mr Walker says: "We are not going to twiddle our thumbs. We know we have to develop the economy in such a way as to produce a greater income per head for ordinary people."

Mr Cannan says that housing will be a priority but that social policy can only be implemented through a strong economy and an active private sector chasing good market opportunities.

"What we have here is not a boom. This is established, well-founded growth. We are going to manage it to make it the norm. It may level out, but it is not going to fall back."

"We have been getting people back to work and paid proper wages. We have almost full employment and have been getting the economy into surplus and balance. It is not a boom, but bow things should be and are going to remain," he says.

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RAISING NEW STANDARDS FOR ISLAND LIFE

Opportunities for employment apart, the Palace Group and its operations makes a major contribution to the special quality of the Manx lifestyle — a quality that continues to attract new residents to the island — many of whom bring important fresh commercial contacts with them. Superb restaurants and exclusive clubs are the traditional hallmarks of the Palace Group's abilities to entertain, but there has also been strong growth in the health and fitness sector — an up-market area that the Palace Group is expanding with its developing health club at the Palace Hotel complex.

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Latest audited accounts available on request from the Manager, ISLE OF MAN FINANCE COMPANY. Mr. Howard Pilly.

ISLE OF MAN 3

FINANCIAL SERVICES

A wider spread with room for growth

JOBS IN the Isle of Man's finance industry increased by 39 per cent to nearly 2,100 in the six years between 1981 and 1987, according to a survey carried out by the island's government last December.

However, the figures do not tell the story, for the change is more importantly qualitative than quantitative. Moreover, the growth of the industry has only just begun. The quality of newcomers is high and they all expect to grow substantially. Before the island set its regulatory house in order following the collapse of the Savings and Investment Bank in 1982, it was little more than a deposit-taker, with some deposit-takers more respectable than others. As a provider of financial services in general, the Isle of Man offered little.

While the government sorted things out, there was an embargo on new banking and deposit-taking licences, so that serious international promotion of the island as an offshore centre did not really get under way until 1985.

A trickle of newcomers in the last two years has seen the number of licensed banks rise to 46, with new attitudes now very apparent. They are probably best personified in Mr Nicholas Owen, the managing director of the new Robert Fleming banking operation in Douglas.

Flemings was one of the first full banking licences granted after the embargo was eased. Mr Owen, 36 years old and a Master of Business Administration (MBA) as well as a banker, has a combative air about him. "We are trying to develop a fully international investment bank here," he says.

"The nature of our work is different from what people have seen here before. In the past the Isle of Man was used by banks for deposit-taking, not as a trading centre for making good profits. We have a much more sophisticated investment approach."

Total staff number 14, including two other bankers, one of them also with an MBA. Mr Owen is looking for a chartered accountant and a chartered secretary. Flemings runs its own money book. He claims that most local competitors have not even got Benter screens and merely pass deposits on to the London market.

He sees his market growing all the time. For example, the island's insurance industry expands and the captive insurance companies in particular have large sums to be managed. For deposits exceeding £500,000, he offers a bespoke service.

"Portfolio management at the institutional level has been very good. We have developed much more local business than we expected," Mr Owen says. Flemings has also been doing good business in locally-run foreign exchange dealing, allowing depositors to switch between currencies at wholesale rates.

While Flemings is not very interested in private portfolios much below £100,000, Warburg Investment Management will go down to £50,000, with a £250,000 floor for corporate



Atthol Street, Douglas: heart of the Isle of Man's commercial district

business. Warburgs has been one of the government's three investment advisers since 1986, prompting a joking aside from Mr David Cannan, the Finance Minister, about taking 18 years to decide to open an office on the island.

However, the bank had been active since 1979 and in 1983 took over two unit trusts from Barclays in Douglas. "We felt for the first time that there was critical mass of business for it to be worthwhile opening here," says Mr Barry Deale, the director in charge. He too sees the developing insurance sector providing substantial corporate business.

The latest big arrival on the island is the Bank of Bermuda, which recently bought out Kleinwort Benson and the Montreal Trust Company from the jointly-owned Arawak Trust, giving the bank control of Arawak's operations on the Isle of Man.

Arawak's licence - a restricted one enabling the holder to manage banks licensed in other jurisdictions - has been transferred. Mr Jim Noakes, the island's banking supervisor, says that any application for full licence by the Bank of Bermuda will be looked at "very positively".

Bank of Bermuda senior managers were on the island two weeks ago for discussions. Meanwhile, NatWest International Trust has bought out Royal Life of Canada from Roywest, a formerly jointly-owned trust operation, and has chosen the Isle of Man as its European headquarters. It is putting up its own building and will eventually employ 200 people.

Another newcomer is British and Commonwealth, whose way in was to buy Douglas Bank, one of four existing banks for sale to suitable buyers - which means that the purchaser must be approved by Mr Noakes.

The other three are the Anglo Manx, Mercantile and Overseas, and the Celtic Bank. The last of these is owned by the supermarket and property

millionaire Mr Albert Gubay, who stresses that he does not really want to sell, but might if someone acceptable to the government made a good enough offer.

The bank's latest results, published last month, showed a record profit of £1.8m, which

The quality of the newcomers is high

may account for why Mr Gubay is in no particular hurry to sell.

Some of the traditional clearers have not been standing idly by while all this activity has been going on - and although NatWest has reduced its activities to one branch in Douglas, it does have the Isle of Man bank as a wholly-owned subsidiary.

Mr John Allen, a native Manxman who stepped up from deputy to general manager last year, puts the bank's share of the retail market at 50 per cent, with Barclays second at about 22 per cent. Mr Allen heads an operation with 15

branches and more than 300 employees. He can be fairly accurate in such estimates because the Isle of Man is the government's bank and processes everyone's payments of rates each year. It can work out each bank's share of the market simply by counting the cheques.

The Isle of Man Bank is unlikely to lose its market leadership almost by virtue of its name alone. But it is also working hard to earn to its keep. It is self-contained, with comprehensive data processing, so that it does not have to call on its mainland parent for anything and no one's accounts are in any way handled off the island.

Last year it made its overseas department an autonomous branch under entrepreneurial management, which promptly justified the decision by turning in £300,000 of profit in its first year. In the same period, the local deposit base rose by 8 per cent to £650m.

With the Royal Bank of Scotland determined to make an increased impact, Barclays, which has six branches on the island, has reorganised to safe-

guard its position. The Manx operations report to Liverpool where Mr Brian Thaxter, the new regional director, decided that Barclays needed to do much more in the fast developing Manx marketplace.

He has put Mr Eddie Shallock, one of his top managers, in charge, bumped up the managerial team from three to seven, with two more to come, and centralised services on Douglas so that the resulting economy of scale will allow them to be segmented into specialised departments.

It means that half of Barclays' 120 staff are now concentrated in Douglas, compared with 45 previously. Barclays expects to do well with its Douglas business centre for industry and commerce, an international department and a private banking unit for better-off customers.

The banks are on their mettle, however, because British building societies are now moving in. The Leeds, Nationwide and National Provincial have arrived already, with Britannia and Bradford and Bingley about to.

They will use the island primarily as base from which to tap offshore savings for the benefit of the UK housing mar-

ket, but they are already having a major impact and may well have taken in £100m of local savings in their first few months.

Generally they are offering 1 to 1.5 per cent more in interest than the clearing banks, some of which are responding with special deals for deposits of £10,000-plus, provided the money goes on one month's notice.

Meanwhile, the island's insurance sector grows rapidly. Dr Bill Hastings, the new insurance supervisor, says there are now 71 authorised insurance companies on the island, 52 of them captives (subsidiaries) of large corporations which use them to arrange their own insurance.

The island's Exempt Companies Act of 1981 was written especially to attract the insurance industry. They use the island as a base but write their business abroad. The Act then exempts them from income, capital gains and corporation tax.

The gains to the island are jobs, not only in the industry itself but also among the suppliers of goods and services which the insurance companies buy in. Royal Life, which provides more than 100 direct jobs in Castletown and has a rapidly growing share of the expatriate market, is moving to bigger offices to allow for yet more expansion.

CMI, which started up only last year, is already up to 45 staff, even though Mr Mike Richardson, managing director, admits that everyone is still learning how to market global products with no network of brokers and intermediaries to help them, as in the UK.

The other big names in life insurance on the island include Eagle Star, NEL, and Equity and Law. Allied Dunbar and Barclays Unicorn are also in the marketplace as fund managers attacking the same or similar markets.

Financial services therefore look very different from six years ago, when the island was a definite backwater compared with Jersey and Guernsey. Now it has a wider spread and room for growth. Only staff shortages seem likely to hold it back.

Ian Hamilton Fazey

MANX POWER

In August 1986 HSPE was appointed by The Manx Electricity Authority as main contractor for a 19.2MW diesel power station extension at Puloose, Isle of Man.

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INTL. CAPITAL MARKETS AND COMPANIES

Japanese brokers halt equity warrant deals

By Dominique Jackson

THE FOUR major Japanese securities houses have declared a moratorium on the issue of Japanese corporate equity warrants...

Although the issue moratorium was generally welcomed, it is not expected to radically alter the complexion of the sector...

However, this is not the first time a temporary halt to new issues has been called...

INTERNATIONAL BONDS

atoria was limited by the apparent readiness of some houses to break ranks at the slightest sign of pressure...

Elsewhere in the primary markets, three sterling issues emerged. The first was a floating rate note for Birmingham...

Hong Kong to transfer shares by computer

By David Dodwell in Hong Kong

HONG KONG'S anachronistic practice of settling share trades at the close of stock exchange trading every day by the physical transfer of shares...

Mr Fell will have a system that can cope with any level of business. It is secure, saves money and labour...

Competition to control the clearing system has frustrated years of attempts to sweep aside the current settlement arrangements...

In the boom months ahead of the collapse, trading volume had risen on occasions to more than HK\$1bn...

Deutsche Bank agrees on swap deal

By Haig Simonian

THE World Bank and West Germany's Deutsche Bank have agreed on a new "contingent swap facility" allowing the World Bank substantially to diversify its range of swap partners...

will be able to deal with less highly rated organisations or the large number of high quality European corporations which have never had their debt rated...

The venture covers maturities of up to 10 years and a variety of European currencies. It also allows for a swap to be taken over by Deutsche Bank rather than just compensated financially should a counterparty default.

Deutsche Bank, which is being given an exclusive three-year right to the facility, can decide on a case-by-case basis whether a given World Bank swap can be included under the scheme...

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns: US DOLLAR STRAIGHTS, YEN STRAIGHTS, OTHER STRAIGHTS, CONVERTIBLE, and BONDS. Includes bond names, yields, and prices.

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This announcement appears as a matter of record only.

NEW ISSUE JULY 1988



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"The bank's undoubted quality is reflected in one of the highest ratings among European banking stocks".

European Financial Commentary N°3 (24 th June) Morgan Stanley's European Banking Research.

Sterling Drug purchase lifts Eastman Kodak

By James Buchan in New York

EASTMAN KODAK, the diversified photographic company, yesterday reported an 8 per cent increase in net income for the second quarter thanks to strong earnings from its chemical business...

CONSOLIDATED FINANCIAL HIGHLIGHTS

Table with columns: US dollars in millions*, 1988, 1987, Increase %. Rows include Income before taxes, Net income, Shareholders' equity, Market capitalization, Customers' deposits, Loans and discounts, Average Total Assets, Return on assets (%).

617,679 shareholders 1,617 offices in 24 countries

* Conversion rate US \$1 = 121.513 Pesetas



Banco Santander

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At the six-month stage, earnings were 20.4 per cent up at \$550m with the help of a 17 per cent increase in sales to \$881m...

UK COMPANY NEWS

F&H to dispose of controls business and re-prices cash call at £2.29m

F&H Group, the troubled controls group which was forced to abandon a rights issue in May, yesterday unveiled a sweeping reorganisation, involving the disposal of its main controls business and a re-priced cash call on shareholders, writes Clay Harris.

The crisis facing F&H was underlined by results for the year to April 30, also announced yesterday. On turnover of £5.76m, pre-tax losses soared to £4m, compared with a £799,000 profit in the previous nine-month period to April 1987.

By the year-end, the group had net liabilities of £1.48m, one reason for yesterday's one-for-one rights issue at 10p to raise £2.29m. The share price is suspended at 62p.

Harland Simon, process control equipment manufacturer, is paying a nominal £1 for F&H's controls business, but it will also assume £1.61m of liabilities.

F&H's balance sheet will also be helped by 31's agreement to convert £1.5m of loans into equity.

F&H expects to end up with net assets of £2m after the exercise. It will retain three operating subsidiaries, a West German-based small process control business, T.R. Mintz, the electrical contractor, and Amveico, an assembler of electrical components for the motor industry.

The rights issue will be underwritten by Mr Bob Morton, who will become chief executive as well as chairman. His intention is to end up with 25 to 30 per cent of the shares in the hands of his family interests.

The previous £2.6m rights issue, three-for-two at 20p, was abruptly cancelled when management accounts revealed the much worse than expected operating outlook.

Strong interim results herald faster profit growth in second half

Barclays moves ahead to £618m

By David Barchard

BARCLAYS, the second largest of the big four British clearing banks, yesterday reported pre-tax profits of £618m for the six months to the end of June.

The result was 17 per cent above Barclays' profits of £530m a year ago, which were turned into losses of £40m by provisions in respect of bad and doubtful loans to developing countries. This year the bank made no exceptional provisions for Third World debt.

Normal provisions for bad and doubtful debts were £132m (£177m).

The results were greeted as a strong performance by bank analysts, holding the prospect of more rapid profit growth in the second half of the year when Barclays should benefit from higher interest rates and the £291m rights issue of early April.

Barclays de Zoete Wedd, the group's investment arm, reported profits of £27m, compared to £25m last time. Results in UK and international equities were described as satisfactory despite the low volumes in the markets.

The bank has invested a total of £345m in BZW and no extra injection of capital is planned, apart from profit retentions.

Domestic banking made a profit of £286m (£287m), much of the surplus because of the rapid growth of corporate and personal lending. Mr John Quinlan, group chairman, said that personal lending in the UK was now growing at a rate of more than 40 per cent a year, up from 37 per cent at the time of the rights issue in April.

Profits of the Central Retail Services Division, which includes Barclaycard, rose to £45m (£43m), largely because of a higher volume of credit card transactions.

However Mr Andrew Buxton, managing director, admitted that Connect, Barclays' debit card launched 13 months ago, had not done as well as had been hoped, although 1.25m cards had been issued.

He said its disappointing performance was due to adverse publicity at the time of the launch.

Mercantile Group, the group's finance house, earned £47m (£38m), with much higher lending volumes.

The financial services division, which includes the group's insurance, broking, and unit trust activities, made £23m (£31m). The fall was blamed on reduced unit trust

sales and investment management business since the October stock market crash, but profits on insurance were up.

Barclays' mortgage lending has grown from £4.6bn at the beginning of this year to stand at £6.25m with a further £1bn of bridging loans.

Mr Quinlan said that Barclays was now "number one" in several areas of the UK personal banking market including assets and accounts. It was picking up a larger number of new account holders and its share of the student market had risen from 15 to 23 per cent.

Barclays appears to be holding down its costs, unlike NatWest where they jumped 25 per cent in the first six months of the year.

Operating expenses were £1.54bn (£1.98bn) and the bank's cost/income ratio was 68.8 per cent, described as "very close" to last year's figure.

The return on average total assets was 1.4 (1.3) per cent and the equity/assets ratio now stands at 5.6 (4.8) per cent.

Earnings per ordinary share were 63p (58p) and the bank announced an interim dividend of 10p (9p) adjusted after the rights issue.

See Lex

Stronger demand for chemicals takes ICI up to £783m

By Ray Bashford

THE CONTINUING worldwide upsurge in demand for basic chemicals provided the impetus for a 13 per cent rise in Imperial Chemical Industries pre-tax profits in the six months to June 30.

The industry recovery, which analysts believe will continue for at least the next six months, allowed ICI to comfortably ride out the impact of adverse currency movements as profits reached a record £783m pre-tax, against £681m during the previous first half.

The second quarter pre-tax profit exceeded £400m for the first time to reach £453m. City forecasts had ranged between £400m and £435m.

The company's exposure to fluctuations in the dollar and to a lesser extent the Deutsche Mark, and the relative weakness of these currencies against sterling had their most marked effect on the consumer and speciality products division where trading profit fell from £304m to £293m.

The dollar declined 12 per cent against sterling and the mark by 6 per cent during the period under review. The exchange rate factor is estimated to have cost the company £75m in pre-tax earnings.

Turnover advanced by 5 per cent from £5.87bn to £5.87bn. Directors said the adverse currency movements reduced the turnover by 9 per cent. Sales volume rose 11 per cent, with one-third of this coming through acquisitions.

In spite of the downturn in the consumer and speciality products division, directors said it showed an underlying strength. Key pharmaceutical

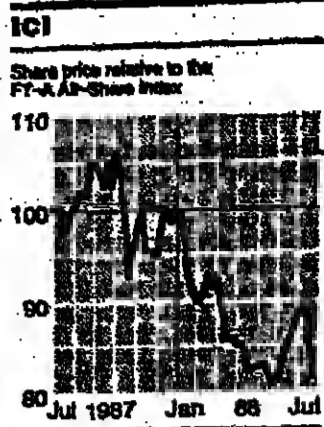
products registered strong sales volumes as the programme of international product launches continued.

Demand remained high for most ICI paint ranges in Europe and North America, while colours and fine chemicals continued to improve and profits from polyurethanes remained firm.

The industrial products division made the largest contribution to trading profit, advancing by 150m to £352m. Strong demand for general chemicals, petrochemicals and plastics was aided by relatively low feedstock costs.

Fertiliser sales were the one point of obvious weakness in the company's performance. Under the weight of falling sales the sector returned a loss of £12m (£15m profit), including a restructuring cost of £6m.

The agriculture division as a whole returned a £44m rise in trading profit to £108m. The interim dividend of 13p (16p) absorbs £122m.



ICI Share price relative to the FT-All-Share Index. Jul 1987 Jan 1988

DIVIDENDS ANNOUNCED

Table with columns: Company, Current payment, Date of payment, Corres. dividend, Total for year, Total last year. Includes companies like Aarons Bros, Abbey, Astra Holdings, Barclays, etc.

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issue. ‡USM stock. §Unquoted stock. ¶Third market. ††Irish currency. ‡‡Equivalent to 9p and 19.9p after adjusting for rights issue. †††For 15 months. ††††For 17 months. †††††Gross throughout.

BOARD MEETINGS

The following companies have notified dates of board meetings in the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's final accounts.

Table with columns: Company, Date, Dividend. Includes companies like Interim-Areas, AMS Inds, Carat Prop, etc.

Pavion shares suspended

By Clare Pearson

Pavion International, troubled US cosmetics manufacturer and marketer with a USM quote, yesterday failed to report on the year to end-February as scheduled, and said the results would not be out till next Friday. The shares were suspended at 8.75p.

At the interim stage in December, profits to August 31 fell from \$261,000 to \$193,000 on turnover of \$13.44m (£12.62m). Those results were sharply down on the first half of 1986, when Pavion made £1.72m.

EWART: Pre-tax profits £308,779 (£200,752) for year to December, profits to August 31 fell from £261,000 to £193,000 on turnover of \$13.44m (£12.62m). Those results were sharply down on the first half of 1986, when Pavion made £1.72m.

Lex Service in 69% advance

By Clare Pearson

A BETTER-than-expected UK market for cars lifted pre-tax profits of Lex Service, vehicle and electronic components distributor, by 69 per cent to £25m for the six months to June 30. Earnings per share advanced by 64 per cent to 25.6p.

Mr Trevor Chinn, chairman, said it was highly likely the UK car market would reach a record level in 1988. On Lex's joint venture with US car dealer Campbell - making it the first UK car distributor to try to enter that market - he said the approval of most US manufacturers had been won.

The interim is 5.4p (4.5p).

have been 10 per cent higher in the first six months compared with the same period last year - hence Lex's success. Meanwhile, in spite of the competitive US market, Lex's operations are currently improving from a very low base. But next year's performance will still hinge crucially on which way the world economy goes (however many charts Mr Chinn produces to

support the argument that the UK is the best EC country, demographically speaking, to be selling cars in, because of the high rate of household formation). A median £50m pre-tax in 1989 was forecast yesterday, which is likely to be accompanied by a higher tax charge. This year is easier: about £72m is in prospect, giving a fairly modest p/e ratio of around 8.

GT VENTURE Investment Company: net asset value at the end of the period from September 18 1987 to June 30 1988 stood at 162.5p. At September 18 1987 the figure was 95.8p. Gross revenue £411,000. Profit before tax £180,000.

HOESTMANN GROUP, maker of test and measurement systems, made turnover of £21.7m (£20.0m) in year ended March 31 1988 and pre-tax profit £1.18m (£1.16m). Final dividend 5.5p, makes a total of 8.5p.

Aaronson rises to £3.17m

By Ray Bashford

AARONSON BROS. manufacturing of chipboard and plastic bathroom accessories, increased pre-tax profits by 11 per cent from £2.65m to £3.17m in the six months to March 31 1988.

Turnover (excluding intra-company) moved ahead by 14 per cent from \$54.55m to \$62.2m.

At the end of this period, Aaronson sold its English distribution companies to Prime

Aaronson in a £1m management buy-out.

An extraordinary charge of £740,000 reflects the costs of discontinued operations.

Of its remaining core operations of timber and plastic products, timber contributed about 70 per cent of taxable profits.

The directors have decided to increase the interim dividend by 0.1p to 1.8p



SALES BREAK THE \$5 BILLION BARRIER

For the 24th consecutive year, H.J. Heinz Company surpassed all previous records for financial growth.

Due in large part to the fields of our low cost operator programme, we have invested ample resources in strategies that will expand substantially the scope and size of Heinz enterprise.

The responsibility for our prosperity and our prospects lies with our management, both senior and subsidiary, who share a driving imperative for change. Depth of management skill remains our greatest resource, as Heinz continues its reliance on the initiative and inventiveness of its people.

Fiscal 1988 was a year of juncture, when established programmes matured and new strategies emerged. We transformed the company as we nurtured our existing markets.

Perhaps the most profound transformation of our company has been a transformation of thought. We have generated new methods to capture new markets and reach new consumers.

Heinz has been an acute witness to the consumer preference for high nutrition and low calories. We have developed a strategy to cultivate this market with a sophisticated worldwide parade of new products and services under our Weight Watchers® brand.

Heinz has joined equity to emerging economies on opposite sides of the globe by purchasing companies of proven performance. We expect to move in step with the rapid pace of growth, particularly in the Pacific Rim, the Asia countries of Japan, the People's Republic of China and South Korea. The projected lowering of trade barriers within the European Community opens the doors to a market of more than 320 million people. This change, combined with recent acquisitions in Spain and Portugal, means that the Iberian Peninsula has become a dynamic internal market for our tomato and fish products and a low cost operator base for export to all of Europe and



Dr. Anthony J.F. O'Reilly, President and Chief Executive Officer

Sales \$5,244,230,000
Pre-Tax Profits \$622,573,000
After Tax Profits \$386,014,000
Net earnings up: 14%
Earnings per share up: 17.8%

beyond. Fully 70% of our worldwide sales now comes from products that do not bear the Heinz brand, a fact that would have startled management and shareholders just 25 years ago.

Our success continues to be a product of our commitment to quality. We have achieved a record 60% or 8.6% of sales, year-over-year, outside the investment markets of Europe. Most of this growth of our sales comes from products that are the number-one brands in their respective national categories. This is due in no small measure, to our significantly increased expenditures for marketing support coupled with competitive price and profit margin advantages made possible by low cost operator status at home and abroad.

Heinz's gross profits have practically tripled over the past decade. As a percentage of net sales, our gross profit margin this past year stood at 39.5%, an exemplary contrast with the 32.7% recorded in 1978. During this same interval, our market capitalization grew more than eightfold. Within the past five years, investors who held Heinz company stock and reinvested their dividends saw their shares almost quadruple in value.

The rapid pace of change and expansion during Fiscal 1988 makes even the recent past seem almost static by comparison. Furthermore, it has generated a momentum of performance that will carry us vigorously into the future.

H.J. Heinz Company stands as a leader in its industry, rich in resources and progressive in outlook. We have been adventurous, and not reckless, in extending our reach and expanding our product offerings.

With success as our tradition and our goal, we look upon this productive year with satisfaction and impatience. The past must now serve as prelude to even greater achievement.

Excerpt from the statement to shareholders of H.J. Heinz Company by the Chairman, President and Chief Executive, Dr. A.J.F. O'Reilly, for the year to April 27th, 1988.

A question to all finance directors about to go on holiday.

Advertisement for Phillips & Drew Corporate Finance featuring 15 beach chairs. Each chair represents a financial deal: 1st JULY Advise Havelock Europe on acquisition and share placing to raise £10m. 4th JULY Rockford Group offer for sale of shares capitalised at £60m. 4th JULY Rights issue for Booker to raise £125m. 5th JULY Sponsor flotation of Deelings commencing - capitalised at £18m. 5th JULY Advise and underwrite rights issue of £18m for Evans Halshaw. 7th JULY Advise and jointly underwrite rights issue of £13m convertible preference shares for Waterglace. 8th JULY Sponsor flotation of Broadwell Land capitalised at £40m. 11th JULY Advise Coogan on £25m bid for Wolstenholme Rink. 12th JULY Advise Bennett & Fountain on £20m acquisition of Edwin P Lees & Co. 12th JULY Advise Leisure Investments in acquiring Theme Holdings (bid value £16m) and Bentley's of Piccadilly (£25m). 14th JULY Tranwold Group demerger arranged by Phillips & Drew becomes effective. 15th JULY Rights issue of £22m convertible preference shares for NMC Group.

Wish you were here?

While half of Britain is about to go on holiday, its business as usual in Phillips & Drew's Corporate Finance Division. Our Corporate Finance team is busier than ever. The deals above have been undertaken in the first two weeks of July alone.

The combination of Phillips & Drew and our parent, the Union Bank of Switzerland, gives us a depth and strength of service in corporate advice, capital raising, market making, distribution and research which few investment houses can match. Before you go on holiday, come and talk to us.

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UK COMPANY NEWS

P&O tops cruise market with \$210m buy

By Kevin Brown, Transport Correspondent

PENINSULAR AND Oriental Steam Navigation (P&O) yesterday re-established itself as the world's largest cruise ship operator by buying **Sitmar Cruises** of the US for \$210m (£111.15m).

Sitmar operates four ships in the quality sector of the North American cruise market, in which P&O operates five ships through its Princess Cruises subsidiary.

In addition, Sitmar has three high-quality ships on order at prices believed to be substantially below the levels now being quoted by shipyards.

With the inclusion of the liner **SS Canberra**, which is operated separately from the Princess fleet, P&O now controls 11 per cent of the world cruise market. P&O's market share should increase to just over 13 per cent by 1991, when the three ships on order will be in service.

The deal means that P&O returns to the top of the cruise shipping league, ahead of Royal Caribbean Cruise Line and Carnival Cruises, which overtook it in terms of both ships and berths in the early 1980s.

Sir Jeffrey Sterling, chairman of P&O, said the group had been studying the fast-growing cruise market for three years. P&O is believed to have had talks with **RCCL** and **Holland-America Line** before agreeing terms with Mr Lester Crown, the main shareholder in Sitmar.

Mr Crown will retain an interest in the merged group through the **Vlasov** family trust, which has agreed to take \$10m in P&O deferred stock in lieu of cash as part of the consideration for its interests in Sitmar.

Sir Jeffrey declined to forecast the impact of the acquisition on P&O's profits from cruise operations, which were believed to be around £20m last year.

However, he said the group would have 2500m invested in cruise shipping by 1991, and pointed out that **RCCL** and **Carnival** are able to achieve a return on capital of between 25 and 30 per cent.

"In one fell swoop, we have taken out an excellent competitor, and acquired some very good ships as well," Sir Jeffrey said.

Departing in the Caribbean cruise market, which is centred on Miami, Florida, is growing at around 11 per cent a year, compared to growth in cruise ship capacity of between 7 and 8 per cent.

Buy-out of clothing side nets £93.5m for Coloroll

By Alice Rawsthorn

COLOROLL, the ambitious home furnishings concern, has sold the cloth and clothing companies it acquired in its bid for the **John Crowther Group** to a management team for £93.5m.

Coloroll announced its intention of selling the cloth and clothing companies, which are not compatible with its home furnishings activities, when it unveiled its £207m bid for Crowther in April.

Mr Eric Kirby, deputy chairman, said Coloroll had received "a great deal of interest" in the companies. The management team - led by Mr David Suddens, who joined Crowther as head of its clothing division from Courtauld's last autumn - was, however, the only prospective purchaser for all the businesses.

Originally Mr Trevor Barker, former chairman of Crowther,

Astra Hldgs meets forecasts with £6.04m

By Clare Pearson

PRE-TAX PROFITS of Astra Holdings, pyrotechnic and weapons company, came out in line with forecasts earlier this year when it bought British Manufacture and Research Company from the Swiss company Oerlikon.

In the year to March 31, Astra made profits of £6.04m (£1.0m for the previous 15 months). Turnover soared to £48.56m (£11.42m).

This week's announcement that Royal Ordnance had been awarded a £400m Ministry of Defence deal for explosives and ammunition was "a disappointment" in the context of the BMARC purchase, said Mr Gerald James, Astra chairman.

Earnings per share stood at 2.64p (1.54p). The proposed final dividend is 0.55p, giving 0.87p (0.25p) for the year.

de Savary buys TV-am stake

By Raymond Snoddy and Nikki Tait

MR PETER de Savary's LandLeisure yesterday acquired nearly 10 per cent of TV-am, the commercial breakfast television station, in a deal worth £11.75m or 180p a share.

Mr Ian Irvine, chairman of TV-am, said yesterday that the board intended to invite Mr de Savary, who is deputy chairman of LandLeisure, to become a director of the TV company.

"He will bring to us an additional dimension of leisure and related experience" and help TV-am meet one of its ambitions of widening the base of its activity, Mr Irvine said.

Mr de Savary suggested there was scope for joint ventures, although he declined to specify what these might be. "I couldn't contribute to the technical side of the TV station," he said, "but we will be looking at ways of combining their liquidity and our experience."

The 6.25m shares bought by Mr de Savary are part of the 24.9 per cent stake in TV-am sold by Mr Kerry Packer to Mr Alan Bond's Bond Media (UK) in February last year.

The Independent Broadcasting Authority, which has approved the LandLeisure acquisition, decided at that time that Mr Bond would only have voting rights for 10 per cent of his stake. A final deadline of August 20 was set for Mr Bond to take his stake in TV-am below 20 per cent.

Evered expands its US quarry products side

By Nikki Tait

EVERED HOLDINGS, the industrial and building products company headed by the Abdullah brothers, is expanding further its American quarry products interests.

Evered is paying \$39.5m (£22.8m) for Fidler Inc., an Indiana-based company where operations range from sand and gravel and ready-mix concrete to concrete blocks and building's merchandising.

The US company was founded in 1946 and takes in 13 ready-mix concrete plants and two block manufacturing plants. In the year to end 1987, Fidler made pre-tax profits of \$6.9m on sales of \$46.4m. The book value of its assets was \$16.1m, but Evered directors say that they believe a revaluation will produce a surplus over this figure.

Evered initially moved into the quarry business through its £100m bid for London and Northern last year, and then in March expanded on the UK front by swapping certain housebuilding interests for the quarrying operations of Raine Industries.

After the latest deal, Evered will have a heavier weighting, in terms of quarry interests, in the States and said yesterday that it is looking to redress the balance. It recently acquired a stake in Breddon, the limestone quarry operator, but suggests that its current attention is centred on a couple of smaller situations.

Charterhall stake raised

By David Cohen

CHARTERHALL, the investment company steered by Australian entrepreneur Mr Russell Goward, has increased its stake in A. Goldberg & Sons, Glasgow-based fashion retailer, to over 20 per cent signalling possible hostile bid intentions.

A Charterhall spokesman said yesterday that the move through 20 per cent was significant because it brought into play an earlier undertaking by Goldberg's management to welcome a Charterhall seat on the board.

This claim was flatly denied by Goldberg's group finance director, Mr Ian Steven. "There seems to be a great difference between their aspirations and our intentions. Both a bid and designs for a place on the board would be resisted," he said.

Charterhall has over the last 12 months built up a stake in Goldberg. Earlier this week, it lifted its holding from 17 to 18.2 per cent, to become Goldberg's largest shareholder, and today holds 2.5 per cent more than the combined Goldberg family.

Marley makes US acquisition

By Andrew Taylor, Construction Correspondent

MARLEY, the building materials group, has agreed to acquire Webster Brick, a US brick manufacturer.

The purchase price will be worth \$16m (£9.3m) plus the value of the company's stock, which will be agreed when the deal closes. This is expected to be early in August.

Marley has agreed to pay \$8m of the purchase price in cash with the balance in loan notes in five equal annual instalments. Webster manufactures facing bricks in Roanoke and Orange County, Virginia. Marley already carries out brick manufacturing in the US through General Shale Products Corporation.

COMPANY NEWS IN BRIEF

BBA GROUP subsidiary, Automotive Products, has granted an option, exercisable between May and December 1989, to Superdrive Motoring Centres, a subsidiary of Shell UK, for the purchase of AP's Auto Safety Centres business. Superdrive has paid £2.5m in cash plus the right to use the ASC trade name for a trial period. If the option is exercised the sale price will be around £12m.

DE LA RUE subsidiary Crossfield Electronics has sold its interest in Weatherfax, a weather reporting and weather communications equipment maker, to Sinclair Imaging Systems, a private investor. Consideration is £500,000 of which £700,000 has been received in cash.

MICROGEN HOLDINGS is to purchase MPCS for a maximum £3m. The initial price of £1.5m will be met by £200,000 cash and the issue of 548,524 shares. MPCS imports and distributes micrographic consumable products such as silver halide film, duplicating film and a range of associated items. In the year ended October 31 1987 it made profits of £95,000 on turnover of £2.63m. Net assets at that date amounted to £112,000.

FERRY GROUP, diversified motor dealer, has sold nine estate agents offices to Con-

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Price Waterhouse

A SOUND BASE FOR AN ENCOURAGING FUTURE.

Mr. John Quinton, Chairman Barclays PLC, commenting on the results for the first half of the year 1988, said:

The performance of the Group in the first six months of 1988 has been good and I believe that Barclays is laying a sound path for success in the future. Shareholders can share my confidence that the outlook is encouraging.

Group profit at £618 million for the first half of 1988 has improved by 17% over the first half of 1987 before the exceptional provisions we then made. This improvement is attributable to strong growth in business, particularly in the UK, and sound performance in almost all sectors of the Group.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

	Half-year ended 30.6.88	Half-year ended 30.6.87	Year ended 31.12.87
	£m	£m	£m
Operating profit before exceptional provisions	567	497	984
Share of profit of associated companies	51	33	68
Profit before exceptional provisions	618	530	1,052
Exceptional provisions in respect of countries experiencing liquidity problems	-	570	713
Profit/(loss) before taxation	618	(40)	339
Taxation	223	28	148
Profit/(loss) after taxation	395	(68)	191
Attributable to minority interests	2	4	6
Attributable to members of Barclays PLC	393	(72)	185
Dividends	111	77	171
	282	(149)	14
*Earnings per Ordinary share	43.3p	(8.8p)	22.1p
*Dividends per Ordinary share:			
First interim (payable 12 October 1988)	10.0p	9.0p	9.0p
Second interim	-	10.9p	-
*Net asset value per Ordinary share	480p	440p	480p

*1987 comparatives have been restated to take account of the rights issue in 1988. This information does not comprise full accounts within the meaning of Section 254 of the Companies Act 1985. Full accounts for the year ended 31st December 1987 containing an unqualified audit report were delivered to the Registrar of Companies in accordance with Section 241 of the Companies Act 1985.

We plan to build Barclays into one of the strongest international banks, able to compete profitably and serve our customers effectively across the world. To this end, we have taken steps to boost our capital, to improve the quality of our assets and to enhance our product range.

This strategy is beginning to pay off and we are confident that it will enable us to continue the growth in profits and the improvement in earnings per share which is evident this half-year.

John Quinton
J. G. Quinton, 28th July 1988.

BARCLAYS

FURTHER DETAILS OF BARCLAYS RESULTS FOR THE FIRST HALF OF 1988 MAY BE OBTAINED FROM: THE SECRETARY, 54 LOMBARD STREET, LONDON EC3P 3AH.

The contents of this advertisement have been approved for the purposes of Section 57 of the Financial Services Act 1986 by Barclays Bank PLC, an "authorised person" under the Act. It should be noted that past performance is not necessarily an indication of future performance.

This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange. It does not constitute an invitation to any person to subscribe for or to purchase shares. Application has been made to the Council of The International Stock Exchange for the issue of the Ordinary share capital of Dukeminster Pic, issued and to be issued, to be admitted to the Official List. Dealings are expected to commence on Thursday, 4th August, 1988.

DUKEMINSTER Pic
(Incorporated in England and Wales under the Companies Act 1985, Registered No. 228762)

Placing by
BARCLAYS de ZOEETE WEDD LIMITED
of 20,000,000 Ordinary shares of 10p each at 75p per share

Share capital following the Placing

Authorized £000	Issued and to be issued fully paid £000
9,800	7,175
2,800	2,778
12,600	9,953

Dukeminster Pic is engaged in property investment and trading, principally in the office, retail and industrial sectors.

Of the 20,000,000 Ordinary shares placed, 25 per cent. have been placed by the Secondary Distributor referred to below.

The Listing Particulars relating to the Company are available in the statistical services of Ecol Financial Limited and copies may be obtained during normal office hours up to and including 12th August, 1988 at the registered office of the Company, Newcourt House, 116/117 Finsbury, London W1V 9JF and from:

Barclays de Zoeete & Bevan Limited, Edgegate House, 2 Swan Lane, London EC4R 3TS
Sponsors: Barclays de Zoeete Wedd Limited, Edgegate House, 2 Swan Lane, London EC4R 3TS
Secondary Distributor: CL-Alexanders Ltd & Crutchbank, Flory House, 7 Copthall Avenue, London EC2R 7BE

and, up to and including 2nd August, 1988 only, from the Company's Accounts Office, The International Stock Exchange, 44-50 Finsbury Square, London EC2A 1DD.

29th July, 1988

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UK COMPANY NEWS

Millicom says Racal float may cost holders £560m

Dalepak maintains market share as profits fall to £1.1m

By Hugo Dixon

SHAREHOLDERS IN Racal stand to lose £560m if they back the management's scheme for floating off 20 per cent of the telecommunications subsidiary, according to Millicom, one of Racal's largest shareholders.

In a circular sent to shareholders yesterday, Millicom has for the first time produced figures to back up its contention that shareholders would be better off backing its rival scheme for a complete demerger of the UK electronics company and Racal Telecommunications Group.

Millicom's argument rests on what it calls the "double discount" that will occur if there is only a partial demerger.

The first discount, it maintains, will occur because RTG will be a controlled company. As a result, it will be bid-proof and less likely to be run for the benefit of shareholders, so limiting its stock market value.

The second discount, Millicom says, will occur because the full market value of the RTG will not be reflected in Racal's share price.

Millicom argues that the first discount will amount to 10 per cent and the second to 15 per cent. This, it says, will mean the shareholders' assets will be worth £2,044m under the management's scheme instead of £2,604m under its proposals.

Racal said it disagreed with Millicom's arguments, but it would not be answering them in detail until next week.

There seems, however, to be some movement in Millicom's favour. Mr Chris Tucker, an analyst at Kleinwort Grieverson, said Millicom's proposals were better than the management's.

The management has put together a structure that means we shareholders get whacked twice," Mr Shelby Bryan, Millicom's chairman, said.

By Nikki Tall

DALEPAK FOODS yesterday unveiled a 26 per cent fall in full-year profits to £1.1m. The Yorkshire-based company is the biggest supplier to the British grillsteak market.

Dalepak, which reported a 42 per cent profit decline at the meeting, said the year had been difficult for the industry, although it retained its 80 per cent brand share.

On the one hand, the grillsteak market stabilised at a retail value of £78m, after the past ten years' growth. On the other, it suffered from a 39 per cent increase in manufactured beef prices in the first half. Dalepak's position was exacerbated by production overheads geared to higher sales.

The November price increase and some cost-cutting helped in the second half, but sales were still lower than expected. Turnover in the 12 months to mid-August was £18.5m (£18.2m).

As well as the grillsteak operations, difficulties faced by the Budget Gourmet and Farmhouse frozen ready-meal ranges have led Dalepak to limit this business to products which can be produced in the plant's factory. The ready-made food production instead.

Earnings per share dropped from 8.67p to 6.6p. The unchanged final dividend of

COMMENTARY

Mr Chris Ivory - the ex-Northern Foods man who slipped into the chief executive's chair at Dalepak in November - clearly has no illusions about the problems of a one-product company. But seeing where Dalepak should go, and getting it there quickly, are different things. New products like vegetarian grillsteaks have apparently been well received, and the switch to chilled ready meals seems sensible. However, the fact remains that at least four-fifths of total group sales in the current year will probably come from the company's traditional meat-based products. Meat prices remain firm, and Dalepak's 5 per cent price rise last year has met with underwriting by rivals and consequent volume loss. Further acquisitions, following frozen pie business Fawcetts, could help - except that the potential scale of purchases is somewhat limited by a 40 per cent gearing level at the year-end, and the reluctance of directors to dilute their controlling interest. With brokers edging forecasts down to £1.35m yesterday, the shares (down 6p to close at 81p) are on a prospective multiple of just over 10. That looks justifiably cautious.

Dukeminster comes to market valued at £53.8m

By Paul Chesswright, Property Correspondent

DUKEMINSTER, the property investment and trading company controlled by the Shohet family, yesterday came to the market to raise a total of £38.4m via a share placing of 27.9 per cent of its equity and a convertible preference issue.

Barclays de Zaepe Wedd, which arranged the placing of 20m ordinary shares at a price of 78p each, showing a 14.9 per cent discount to their net asset value, said that there was excess demand for the shares. Trading starts next Thursday.

The case of the placing provides further evidence of the market's sentiment in favour of property companies specialising in the accumulation of assets rather than the growth of development projects.

The share placing raises a net £13.5m for Dukeminster and gives the company a market capitalisation of £53.8m. A further £24.9m is coming from the convertible preference shares issue, to which American Express has subscribed £10m and the Shohet family £15m.

These new funds come on top of a recent injection of £5m into Dukeminster's equity by the Shohet family.

Dukeminster, which has absorbed the interests of NFI Finance, another Shohet vehicle, has a property portfolio worth £141.2m. The majority of the properties are in London and the south-east. Of the total, £38.3m-worth are trading properties.

Dukeminster has a rent roll of £8.29m a year, expected to rise to £11m over the next three years. About 40 per cent of the portfolio is in retail property, 40 per cent in offices and 15 per cent in industrial premises.

In 1987, Dukeminster had pre-tax profits of £2.67m, and in the five months to May 1988, pre-tax profits were £1.67m.

Ketson makes agreed bid for Moorgate Grp

By Vanessa Houldier

Ketson, communications group formed last year from the Gianfield Lawrence property and motor dealer, yesterday announced an agreed bid for Moorgate Group, USM-quoted financial marketing company.

And Moorgate announced that as a result of Cash-funded losses in the US its pre-tax profits for 1987 fell from £226,284 to £416,848.

Turnover increased to £23.6m (£21.2m). Earnings per share fell from 7.3p to 2.5p. The dividend has been passed after paying £825p for 1988.

The offer of five shares for four Moorgate values Moorgate at about £7.7m, after Ketson's share price rose 5p to 95p yesterday. The combined group would have a market capitalisation of about £17m.

About 42 per cent of Moorgate shareholders have undertaken to accept the offer.

Mr Jeremy Bond, chairman of Moorgate, said the merger would cut Moorgate's exposure to a single market sector.

The US operation made an operating loss of £621,000, following the crash and in addition was responsible for interest charges of £133,000. The group is now withdrawing from the US, resulting in an extraordinary debit of £668,000.

By contrast the UK business increased its operating profits by 11 per cent to £1.14m.

Boots chief under fire

By Maggie Urry

MR ROBERT GUNN, chairman of Boots, the retail chemist and pharmaceutical group, faced tough questioning from shareholders at yesterday's annual meeting. He was asked why his salary had risen by 19 per cent last year when earnings per share were only 4.8 per cent higher.

Mr Gunn said that all Boots' senior executives' salaries had been reviewed to bring them in line with earnings in the industry. Directors' salaries are set by a remuneration committee, largely made up of non-executives.

Mr Gunn told shareholders that group sales were up by 4.5 per cent in the first quarter of the current year, which began

on April 1. He said that although the sales increase was modest, profitability had risen. Boots' shares fell 4p to 218p yesterday.

The retail division had seen a first quarter sales rise of 5.1 per cent, adding to evidence that some retailers have suffered a poor summer. The period compared with a strong first quarter the previous year.

Boots is also feeling the effect of poor sales of durable goods, and the withdrawal of some lines such as pet foods which had been unprofitable.

The group has nearly finished negotiations to sell or close its stores in Western Canada, with completion expected by the end of August.

Hill & Smith advances

HILL & SMITH Holdings, engaged in steel stockholding, drop forgings and fabricated products, lifted its first half profit to the end of March 1988 from £1.32m to £2.38m, and is raising the interim dividend from 1.27p to 1.55p.

stant high demand for products of the fabrication side in the period, therefore, the disparity with the normally higher second half may be reduced this year, although the directors were confident of the result.

Turnover rose from £17m to £24m.

Residential Property Securities No. 2 PLC

£200,000,000

Mortgage Backed Floating Rate Notes 2018

The rate of interest for the three month period 27th July, 1988 to 27th October, 1988 has been fixed at 11.2625 per cent per annum. Coupon No. 1 will therefore be payable on 27th October, 1988 at £2,831.01 per coupon.

S.G. Warburg & Co. Ltd.
Agent Bank

MOBILE COMMUNICATIONS

The Financial Times proposes to publish this survey on:

12th September 1988

For a full editorial synopsis and advertisement details, please contact:

Stephen Dunbar-Johnson
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EC4P 4DF

FINANCIAL TIMES

NEWS DIGEST

PORTSMOUTH & SUNDERLAND NEWS

Profit rise of 22% in first quarter

IN ITS first quarter ended July 2 1988 Portsmouth and Sunderland Newspapers lifted pre-tax profit by 22 per cent, from £1.47m to £1.8m.

That was generated from turnover showing a 16 per cent increase, from £14.82m to £17.51m.

Earnings were 8.9p (7.6p) and there was an extraordinary credit of £37,000.

JOHN I JACOBS

Downturn in first half

A substantial reduction in other operating income hit John I. Jacobs in the first half of 1988, and led to a drop in pre-tax profit from £384,000 to £389,000.

However, the interim dividend is held at 1.5p, from earnings of 1.21p (2.38p).

Turnover of this shipbroking and shipowning group moved up to £1.57m (£1.22m) and gross profit to £568,000 (£227,000). Other income dropped to £328,000 (£1.18m).

CONTINENT. ASSETS

Net assets show recovery

Continental Assets Trust reported net asset value of 106.6p basic at the end of June 1988 compared with 84.5p at the beginning of the year and 143.9p a year earlier. The fully-diluted figures were 106.5p against 136.4p.

Net revenue for the six months to June 30 was £2,000 (£29,000) for earnings per 75p share of 0.43p (0.43p).

RAGLAN PROPERTY

Turnover lifted 21% to £9.2m

Raglan Property Trust, property development concern, raised pre-tax profits by 25 per cent from £678,985 to £871,888 for the year ended March 31 1988. Turnover grew 21 per cent to £9.2m.

After tax of £361,738 (£281,000) earnings per 1p share climbed from 0.38p to 0.43p,

while the dividend is increased to 0.132p (0.11p).

The directors said the company had a rapidly growing programme in the order of £100m and they were confident that the successful outcome of these development projects would enable them to look forward to the current year's results.

Net asset value per share was 10.5p (8.1p).

TOMORROWS LEIS.

Investment affects results

Tomorrows Leisure, which joined the Third Market in November last year, saw pre-tax profits rise £25,000 to £281,500 in the year to the end of March 1988. Turnover rose more than 1 1/2 times from £2.52m to £4.6m.

The directors said that the decision to advance its planned investment programme had an effect on the results.

After tax of £12,780 (£8,054) earnings per 20p share came out at 2.5p (2.2p).

The company had made a promising start to the present year, the directors said, and profit plans indicated that there should be another successful year.

CONROY. PETROLEUM

Losses reduced to £73,000

Losses before tax were reduced at Ireland-based Conroy Petroleum in the six months to February 28, falling from £119,000 to £73,000 (£51,550). Moreover there were no extraordinary items (debit £344,000). Operating revenues were up £20,000 to £21,000.

The chairman said the company continued to make progress and could look forward to the future with confidence.

FORMINSTER

Proposed final dividend of 5.6p

Forminster, maker of outdoor wear clothing, reported record pre-tax profits of £1.99m for the year to April 30 against £1.53m. Turnover was up from £18.58m to £20.35m.

Earnings per 10p share were 34.87p (31.41p) and the total dividend is being raised to 8.1p (7.19p) by a proposed final payment of 5.6p.

JOSEPH WEBB

Profit doubled at £1.02m

Joseph Webb, the West Midlands group with interests

leisure, and property, reported pre-tax profits doubled from £385,000 to £1.02m in the year to March 31. This result was scored on turnover which slipped from £5.8m to £6.38m, and, of this, £6.04m related to holidays and leisure.

Société Nationale des Chemins de Fer Français

£75,000,000

Guaranteed Floating Rate Notes 1993

(redeemable at the holder's option in 1990) unconditionally guaranteed, as to payment of principal and interest, by

The Republic of France

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 27th July, 1988 to 27th October, 1988, the Notes will bear interest at the rate of 11 1/2 per cent. per annum. Coupon No. 20 will therefore be payable at the rate of £140.61 per coupon on 27th October, 1988.

S.G. Warburg & Co. Ltd.
Agent Bank

U.S. \$500,000,000

CITICORP

(Incorporated in Delaware)

Subordinated Floating Rate Notes Due January 30, 1988

Notice is hereby given that the Rate of Interest has been fixed at 8.2% and that the interest payable on the relevant Interest Payment Date August 31, 1988 against Coupon No. 31 in respect of US\$1,000,000 nominal of the Notes will be US\$75.17.

July 29, 1988, London
By Citicorp, N.A. (CSS Dept.), Agent Bank **CITIBANK**

ALICO INTERNATIONAL LIMITED

Guaranteed Floating Rate Notes 1993

Unconditionally and irrevocably guaranteed by the parent company, THE LONG TRUST BANK OF JAPAN, LIMITED.

NOTICE IS HEREBY GIVEN that, pursuant to Condition 4(b) of the Notes, Allico International Limited has elected to redeem on August 5, 1988 at 100% US\$1,000,000 of the outstanding Notes. The Notes drawn for redemption are numbered as follows:

47	70	98	143	170	199	242
247	270	287	308	324	347	379
399	442	507	570	588	647	679
699	742	776	788	842	888	942
947	999	1047	1070	1088	1143	1170
1188	1242	1247				

Payment will be made upon surrender of the Notes, together with all coupons remaining after the date fixed for redemption at the offices of the Paying Agents as shown on the Notes. Coupons remaining on August 5, 1988 should be detached and presented for payment in the usual manner. On and after August 6, 1988 interest on the Notes will cease to accrue and unredeemed coupons will become void. After August 5, 1988, US\$1,000,000.00 of the Notes will remain outstanding.

July 29, 1988
By Citicorp, N.A. (CSS Dept.), London, Paying Agent

MAES Funding No. 1 PLC

£200,000,000

Mortgage Backed Floating Rate Notes due 2018

Notice is hereby given that the Rate of Interest has been fixed at 11.10625% for the interest period 25th July, 1988 to 5th October, 1988.

The interest amount payable on 5th October, 1988 will be £2,184.84 in respect of each £100,000 denomination.

Agent Bank
25th July, 1988

THE TEAM

Left Picture: S. Myers, P. Collins, S. Mahew-Sanders, S. Crooks, K. Thompson.
Right Picture: R. Meaney, I. Throssell, R. Bole, S. Pearce, S. Langman.

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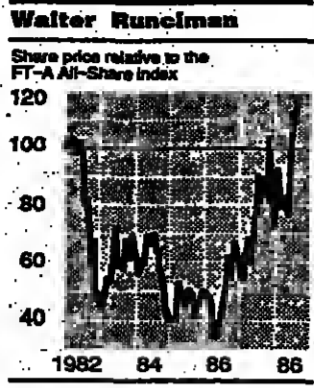


UK COMPANY NEWS

Telfos raises value of bid for Runciman to £31.6m

By Clay Harris

TELPOS HOLDINGS, the diversified engineering company, yesterday raised to £31.6m the value of its hostile takeover bid for Walter Runciman...



above the increased cash alternative of 22p. Telfos closed up down at 172p. For every four Runciman shares, Telfos is now offering a unit consisting of six ordinary shares, three £1 cumulative preference shares paying 9 per cent net, and one warrant...

United Biscuits sells Spice Islands

By Christopher Parkes, Consumer Industries Editor

UNITED BISCUITS has agreed to sell its US subsidiary, Spice Islands, to Fleischmann Yeast, part of the Australian food group, Burns Philp. The price was not disclosed, but UB said it compared favourably with the \$66m offered in January by McCormick, the leading US spices company...

Broad Street profits decline

By Andrew Hill

BROAD STREET Group, public relations and communications undertaking, announced pre-tax profits of £556,000 for the 17-month period to March 31 1988. Despite the longer reporting period, profits were 43 per cent down on the £500,000 made in the year to October 31 1988.

by a vendor placing of 6.4m ordinary shares. A further £29,194 shares will be issued to raise £175,000 covering expenses. Shares will be offered to existing holders on a one-for-five basis at the placing price of 41p each, against yesterday's unchanged closing price of 45p.

group says rigorous financial controls have been installed, particularly in the Broad Street Associates PR business, root of most of the problems. In addition, the group has temporarily pulled back from trying to grow its consumer PR and advertising operation organically, instead - as the Lynne Franks purchase demonstrates - Broad Street is looking at the acquisition of companies which have already established credibility in those areas.

Reorganisation costs hit Kode Intl profits

Problems with a supplier and shortages of a main component were blamed by Kode International, computer equipment group, for a 10 per cent fall in turnover from £1,717,000 to £1,543,000 in the 24 weeks to June 17. In addition the pre-tax profit was hit by costs of reorganisation in the information technology division of £217,000 leaving profits at £791,000, against £1.3m, a fall of 39 per cent.

Pearl pension business growth

By Eric Short

PEARL ASSURANCE Company sold more than five times the amount of pension business to the self-employed in the first six months of this year than in the corresponding period of last year - £13,300 of new annual premiums against £2,650.

These buoyant pension sales enabled the company to record an 88 per cent increase in new annual premium business in the Ordinary branch in the first half of this year, from £13.43m to £24.52m. However, dull conditions in the life market in the aftermath of the stock market crash last October resulted in a decline in single premium business from £108.82m to £57.41m, with sales of linked-life bonds falling by 61 per cent from £79.4m to £28.12m.

single premium pension sales more than doubled over the period from £380,000 to £2.18m.

COMPANY NEWS IN BRIEF

BOSCOMBE PROPERTY: Pre-tax profits for year to March 31 1988 were £108,887 (£124,387). Gross rental income £529,787 (£496,659). Earnings per share 82.5p (76.25p). No dividend (same). DERBY TRUST: At June 30, net asset value 331p (293p) on December 31, 1987 per capital share and 280p (267p) assuming full subscription of warrants. Net available income £597,520 (£561,254) for first half of 1988 and earnings per income share 65.85p (4.7524p). Interim dividend 5.0594p (4.7524p). GOVETT FAR EAST Investments: net profit attributable to shareholders stood at £122,746 (£71,781) at the end of the six months to June 30. Gross revenue amounted to \$302,651 and profit was \$121,609 before tax of \$1,157. The company gained a stock market quote in April 1987. ROMNEY TRUST: net asset value was 426.6p at the end of the six months to June 30, compared with 350.8p at December 31 1987 and 487.7p at the end of the six months to June 30 1987. Gross revenue in latest period was £1.44m (£1.27m). After tax of £352,000 (£268,000) earnings came out at 2.48p (1.84p). The interim dividend is 2p (1.65p) and a final of 3p is forecast. ST ANDREW TRUST reported net asset value of 223.6p at June 30 1988 against 246.5p a year earlier. Earnings per share were 2.4p (1.96p) for the six months to the end of June and the interim dividend is being raised to 1.8p (1.5p).

Good second half boosts Abbey result

Abbey, the Dublin-registered house-builder and plant hire company operating throughout southern England, accelerated in the second half and finished the year with a 72 per cent advance in pre-tax profits. In the period ended April 30 1988, turnover rose 50 per cent from £267.55m to £101.1m (£85m), and taxable profit came to £17.2m (£9.7m) after almost unchanged interest charges of £2.78m. Last October the company raised £11.62m through a placing. Gearing rose but remained substantially below 84 to 85 per cent and assets per share rose to 124p (72p). Earnings for the period rose to 30.77p (19.44p) and the final dividend is 3.8p, for a total of 6p (4.38p). The directors said house-building and plant hire again produced record figures, and Abbey had re-entered the commercial property development market in a planned manner, which would not dilute the principal thrusts in the other two areas.

Abbey p.l.c. PRELIMINARY RESULTS Group profit for the year ended 30th April 1988. Table with columns for 1988 IR £000 and 1987 IR £000. Rows include Turnover, Profit Before Tax, Tax, Profit After Tax, Dividends, Retained Profit for the Year, EPS (Adjusted), and Gearing. Below the table are bullet points: Another Record Year in Housing and Plant Hire; Group Profits up 72% to IR£17.2 million; Investment in Land, Plant and New Depots continues; Progressive return to Commercial Property Development; Further substantial growth planned for current year. Address: Abbey House, 2 Southgate Road, Porters Bar, Herts.

Gallaher surges 43% to near £117m

Strong improvements from both tobacco and non-tobacco operations enabled Gallaher, an American Brands subsidiary, to lift pre-tax profits by 43 per cent from £51.4m to £116.7m in the first half of 1988. Sales were 48 per cent higher at almost £2bn, against £1.89bn. Trading profits from tobacco rose 30 per cent to £92.5m (£71.3m), while non-tobacco profits grew 48 per cent to £25.5m (£17.2m). Improvements were achieved by the optics, distribution and office products divisions, but there was a slight downturn on the housewares side. The sale of the engineering division has almost been completed. These disposals resulted in extraordinary credits this time of £5.4m. Mr S.E. Cameron, the chairman, said the UK cigarette market had remained virtually static in the period, but Gallaher Tobacco had achieved a substantial share growth and increased volume.

1988 First Half Year Results Record first half from ICI. Group profit before tax reached a new high of £783m in the first half of 1988, £92m (13%) above the first half of 1987. The advance resulted from strong growth in sales volume, firm margins and a good performance from former Stauffer agrochemical products. In the second quarter of 1988 profit exceeded £400m for the first time. The key figures with comparisons for the first half of 1987 are as follows: Turnover, Profit before Tax, Earnings per £1 Ordinary Share. Tables for 2nd Quarter 1988, First Half 1988, and First Half 1987. Results are set out in the second table following. In the first half of 1988 turnover increased by 5% compared with the same period in 1987. Sales volume rose by 11% with one third of this attributable to acquisitions; selling prices in local currencies advanced by an average of 3%. These increases were partly offset by an adverse movement on exchange which reduced Group turnover by 9%. The underlying business performance in Consumer and Specialty Products remained strong, with further growth in each sector. Overall profits expressed in sterling were slightly down on 1987 due to the substantial impact of changing currency values, particularly the US dollar. In pharmaceuticals, sales volumes of key products continued to grow strongly and the business maintained an active programme of new product launches around the world. Paint demand was buoyant in most sectors in Europe and North America. Colours and fine chemicals continued to improve and polyurethanes profit remained firm. Trading profit in Industrial Products was £351m in the first half of 1988, an increase of £60m on the same period in 1987. General chemicals and petrochemicals and plastics profits advanced as the businesses continued to benefit from strong demand and relatively low feedstock costs. In Agriculture, first half profit increased by £44m to £106m in 1988. Agrochemicals and plant breeding advanced by £71m, with a strong contribution from former Stauffer products. Fertilizer sales deteriorated and the business recorded a loss of £12m in the first half of 1988, including restructuring costs of £6m relating to straight nitrogen fertilizers. Group profit before tax in the second quarter of 1988 was £425m, £67m above the first quarter. Profit benefited from the seasonal strength of some high margin businesses and lower costs. Sales volume in the second quarter rose by 2% and local currency selling prices advanced by 1%. A £44m charge for extraordinary items in the first half of 1988 is in respect of restructuring UK compound fertilizer production facilities, as announced earlier. The outlook for the remainder of 1988 is encouraging given reasonable international trading conditions. The following table summarises the quarterly sales to external customers, profit before tax and earnings per share. A summarised profit and loss account is given in the second table following. Trading results for the first nine months of 1988 will be announced on Thursday 27 October 1988. IMPERIAL CHEMICAL INDUSTRIES PLC. Tables for 1987 and 1988 First Half Year Results, and 2nd Quarter 1988, First Half 1988, and First Half 1987. Results are set out in the second table following.

Aaronson Bros. PLC Interim Report (unaudited). Table with columns for Half-year ended 31.3.88, Half-year ended 31.3.87, and Year ended 30.6.87. Rows include Turnover, Profit before taxation, Taxation, Group net profit, Extraordinary charges, Net dividend per ordinary share, and Earnings per ordinary share. Interim Results: Profit before taxation for the half-year period was ahead of that for the comparative period in 1987 on turnover increased by approximately 14 per cent to £62,196,000. As a result of our ongoing capital investment programme we anticipate a low tax charge for this financial year and taxation has therefore been provided for this period on that basis. The extraordinary charge reflects the costs of discontinued operations. Interim Dividend: An increased interim dividend of 1.8p per share (1987: 1.7p) is recommended. Current Trading and Prospects: In accordance with the Group's stated policy of placing increased emphasis on its core manufacturing businesses the Board has concluded the sale of the distribution companies in England. It has also decided to close distribution operations in Eire. The Board is confident in the light of current circumstances that results for the year should be ahead of last year. Aaronson Bros. PLC, Aro House, 18-19 Long Lane, London EC1A 9NT.

COMMODITIES AND AGRICULTURE

Traders 'bale out' as coffee plunge continues

By David Blackwell
COFFEE PRICES continued to plunge yesterday in London as traders holding long positions 'simply baled out' as one dealer put it.

speculative money in New York on Wednesday night. The coffee, cocoa and sugar exchange contract on 29 September fell 8.90 cents a lb to 124.05 cents as rumours spread that the ICO agreement was in danger of collapse.

Raw deal for Soviet drinkers

By John Lloyd in Moscow
THE SOVIET drinker is getting a raw deal under perestroika, but sugar, raw or refined, is not getting it. Mikhail Gorbachev's crackdown on liquor has lowered official consumption, but immediately created a brew-it-yourself network of samogon (moonshine) stills which have helped push up sugar consumption by up to 30 per cent in many parts of the country.

the world sugar market. Latest projections put this year's Soviet purchases in the range of 1.7m to 2m tonnes, in spite of last year's near-record 90m tonnes domestic harvest. The US Agriculture Department meanwhile forecasts consumption here at some 14.1m tonnes of sugar between September and August 1988 - up 700,000 tonnes from the previous year.

Sugar arbitrage contract planned

By David Blackwell
THE LONDON Futures and Options Exchange (Fox) is planning to launch an arbitrage contract between white and raw sugar on the Automated Trading System which it now runs for its white sugar market.

478,000 lots, and is averaging 1,600 lots a day with a high level of open interest. This is a small turnover compared with the raws contract, which traded 617,240 lots in the first half of this year - but the costs of trading the whites are minimal.

Cuban farm prospects improve as drought ends

By David Owen, recently in Havana
A SEVERE drought which has tormented Cuban farmers for four years is over, improving prospects for the island's sugar, tobacco and citrus fruit harvests in the 1988-89 crop year.

Local experts are now optimistic that 1988-89 will bring Cuba's first 8m-tonne raw sugar crop since 1984-85. Workers have responded to an exceptional call by Fidel Castro, the Cuban president, to work through the traditional July-August holiday period to clear the cane fields of weeds.

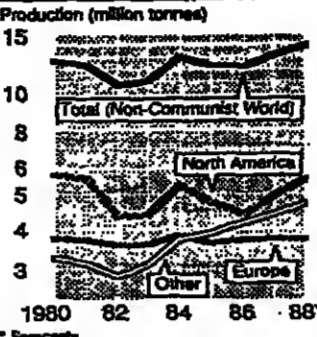
Playing to aluminium's strengths
Kenneth Gooding on European producers' development strategy

SENIOR EXECUTIVES in western Europe's aluminium industry seem to have few illusions about the difficulties they face. In fact they willingly point out the problems.

adequate product. For example, the introduction of large aluminium extrusions for rail cars was only made possible through the industry developing and supplying new design concepts and new assembly methods, thereby reducing assembly time from days to hours.

Private, other executives suggest that after 1982 it is likely that joint ventures, involving several companies, will spring up as the industry tries its hand at new downstream aluminium products.

Primary Aluminium



Consumption (million tonnes)



Production (million tonnes) and Consumption (million tonnes) graphs showing trends from 1980 to 1988. The graphs show that production and consumption are closely aligned, with both showing a general upward trend over the period.

Demand for aluminium is high and so are prices. Demand has suffered a long period of severe recession, in 1987 the industry had a banner year. Consumption of primary aluminium in western Europe reached a record 4.1m tonnes, some 600,000 tonnes more than production in the region.

With few exceptions, for instance Norway and Iceland, potential sites for new smelters in Europe have become very scarce. This is of more than passing concern to the European Commission because aluminium is produced and fabricated in nearly all the community countries and the value of production is estimated at about 35bn Ecu (23bn) a year.

Mixed blessing

That would be an improvement from the previous year's disappointing 7.1m-tonne crop but may not be enough to prevent Cuba again having to buy on the world market to meet its delivery commitments. In this case, the recent bull market in sugar would be a distinctly mixed blessing.

Havana reports 22.5 per cent rise in nickel output

By David Owen
FIRST QUARTER Cuban nickel production rose by almost 22.5 per cent from 1987 levels, following the startup late last year of the much-delayed Ernesto Che Guevara processing plant in the eastern province of Holguin.

Output totalled 10,653 tonnes, against 8,691 a year ago, according to the state statistical committee. The additional tonnage is destined for the eastern bloc, in accordance with an agreement to ship two-thirds of the plant's output to the Comecon countries to repay the cost of its construction.

According to local press reports, the first of the plant's three units of furnaces is still not functioning at maximum efficiency. A second bank is due to be fired up between May and August.

Meanwhile, the number of workers employed by the Cuban nickel industry fell by some 14 per cent last year, according to the Moa-based Union of Nickel Enterprises. Employees now total just under 15,000, the union said, against 22,000 a year ago.

WORLD COMMODITIES PRICES

Table of World Commodity Prices including sections for Cocoa, London Metal Exchange, Soyabean Meal, Rubber, and various oils and grains.

Table of World Commodity Prices including sections for London Metal Exchange, Soyabean Meal, Rubber, and various oils and grains.

Table of World Commodity Prices including sections for US Markets, New York, Silver, and Platinum.

Table of World Commodity Prices including sections for Chicago, Soyabean Meal, and Wheat.

Table of World Commodity Prices including sections for Chicago, Soyabean Meal, and Wheat.

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound and dollar firm

STERLING ROSE to its best level for two years against the D-Mark yesterday, breaking through DM3.20...

where it finished at SF2.6700 and SF2.6500 and FF10.8825 against FF10.7875. Against the dollar it eased slightly to \$1.2230 from \$1.2220...

and Y182.85 from Y181.65. It was also higher against the Swiss franc at SF1.5505 from SF1.5385 and FF8.2875 compared with FF8.2825 on Bank...

IN NEW YORK

Table with columns: Date, Index, Points, % Change. Includes Sterling Index, CURRENCY RATES, CURRENCY MOVEMENTS.

STERLING INDEX

Table showing Sterling Index values for various dates and currencies.

CURRENCY RATES

Table with columns: Currency, Bid, Ask, Special, European Currency Unit.

CURRENCY MOVEMENTS

Table showing percentage changes in currency values for Sterling, US Dollar, Canadian Dollar, etc.

OTHER CURRENCIES

Table showing exchange rates for currencies like Argentine, Australia, Belgium, etc.

EXCHANGE CROSS RATES

Table showing cross-rates between various currencies such as GBP, DEM, SF, FF, etc.

MONEY MARKETS

Lombard rate up

THE WEST German Bundesbank increased its Lombard rate to 5 p.c. from 4.5 p.c. yesterday, in the face of mounting pressure on the D-Mark and domestic interest...

FINANCIAL FUTURES

Gilts and short sterling firm

LONG GILT and three-month sterling deposits gained strength in yesterday's Life market, underpinned by sterling's firmer trend. Trading volume in short sterling was greatly improved at over 20,000 lots traded...

at 89.16 and moved up to a high of 89.29, before finishing at 89.21. Gilt prices saw over 25,000 lots change hands, with investors shrugging off the effects of disappointing June trade figures...

level was not sustained, as sterling surrendered some of its earlier gains. US Treasury bond futures lost ground as did three-month Euro-dollar futures. Investors were concerned by the sharp rise in inflation - highlighted in the second quarter fixed index released on Wednesday - and most were expecting US interest rates to rise to counter this.

EUROPEAN CURRENCY UNIT RATES

Table showing ECU rates for various currencies.

LONDON (LIFFE)

Table showing LIFFE futures prices for various commodities and currencies.

CHICAGO

Table showing Chicago futures prices for various commodities.

NEW YORK

Table showing New York futures prices for various commodities.

MONEY RATES

Table showing money rates for various currencies.

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing rates for various currencies.

LONDON MONEY RATES

Table showing London money rates for various currencies.

EUROPEAN OPTIONS EXCHANGE

Large table showing European options exchange data for various currencies and dates.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

Advertisement for CIGIE (Compagnie Générale d'Electricité) featuring a logo and text: ECU 250,000,000 5 1/2% Convertible Bonds Due 1996.

Advertisement for various financial institutions: SOCIETE GENERALE, MORGAN STANLEY INTERNATIONAL, ELECTRO BANQUE, SBCI SWISS BANK CORPORATION, CREDIT COMMERCIAL DE FRANCE, DEUTSCHE BANK CAPITAL MARKETS LIMITED, UNION BANK OF SWITZERLAND (SECURITIES) LIMITED, S.G. WARBURG SECURITIES, ALGEMENE BANK NEDERLAND N.V., BANQUE INDOSUEZ, CREDIT SUISSE FIRST BOSTON LIMITED, GENERALE BANK, NOMURA INTERNATIONAL LIMITED.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abstract Management, Adams Unit Trust, etc., with columns for name, manager, and other details.

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5699 Reuters Code: IGIN, IGI0

JOTTER PAD advertisement with a grid pattern.

CROSSWORD No. 6,694 Set by VIXEN

Crossword puzzle grid with numbers 1-30 indicating starting positions for clues.

- ACROSS: 1 A bit of journalistic work written on the quiet (8) 5 Harry the painter beset by a talker (6) 9 Talked back and were set right about a point (8) 10 Shake a pound by mail (6) 12 Around fifty entered, it's concluded (9) 13 "Little bird" printed in narrow letters (6) 14 Gets firm with gangs (4) 16 The man taking stock overseas (7) 19 Agree no scent should be used in make-up (7) 21 The head chef will prepare this (4) 24 Free entertainment causing the heartless sailor to scoff (8) 25 Withdrawn, bring a little hurt (9) 27 Making a tiny error about the right things to deal with (3-4) 28 Came down before time - it put off scholarly people (8) 29 Unsophisticated egghead, a writer (6) 30 Impressed by one way flight (8) DOWN: 1 Sound location for fish (6) 2 Abstract this and start again (6) 3 One needs wood with no haws (5) 4 Polonus's son leers at models (7)

City Financial Services & Leasing Ltd, Clerical Medical Unit Trusts Ltd, etc.

Commercial Unit Trusts Ltd, Crown Unit Trust Services Ltd, etc.

Discretionary Unit Funds, Discretionary Fund Managers Ltd, etc.

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Discretionary Unit Funds, Discretionary Fund Managers Ltd, etc.

GUIDE TO UNIT TRUST PRICING. The data included under the Authorized section of the FT Unit Trust Information Service is designed to improve the services to readers and to conform with new legislation.

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FT UNIT TRUST INFORMATION SERVICE

Unit Trusts

Main body of the document containing a detailed list of insurance and unit trust information, organized into columns with headers like 'Insurance', 'Unit Trusts', and 'Other UK Unit Trusts'. The table includes various fund names, their performance metrics, and associated company details.

OTHER UK UNIT TRUSTS

Bullfinch & Co Ltd
Unit Trusts

Chadwick Bullfinch & Co Ltd
Unit Trusts

Chapman & Partners Ltd
Unit Trusts

Equity & Law
Unit Trusts

Family Assets
Unit Trusts

Family Trusts
Unit Trusts

Financial Services
Unit Trusts

International
Unit Trusts

Investment
Unit Trusts

Legal & General
Unit Trusts

Life & General
Unit Trusts

Mutual
Unit Trusts

National
Unit Trusts

Prudential
Unit Trusts

Reliance
Unit Trusts

Sanderson
Unit Trusts

Templeton
Unit Trusts

Trusts
Unit Trusts

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'MANAGEMENT SERVICES' and 'OFFSHORE AND OVERSEAS'.

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

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Main table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, NAV, and % Change.

Table of London Share Service, including sections for British Funds, Foreign Bonds & Rails, and American Stocks.

OTHER OFFSHORE FUNDS

Table of Other Offshore Funds, listing various international unit trusts.

Table of Money Market Trust Funds, listing various short-term investment funds.

UNIT TRUST NOTES: A block of text at the bottom of the page providing additional information and disclaimers regarding the unit trusts.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for stock name, price, and other financial metrics.

BANKS, HP & LEASING

Table listing bank and leasing stocks with columns for stock name, price, and other financial metrics.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit stocks with columns for stock name, price, and other financial metrics.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road stocks with columns for stock name, price, and other financial metrics.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road stocks with columns for stock name, price, and other financial metrics.

CHEMICALS, PLASTICS

Table listing chemical and plastic stocks with columns for stock name, price, and other financial metrics.

DRAPERY AND STORES

Table listing drapery and store stocks with columns for stock name, price, and other financial metrics.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road stocks with columns for stock name, price, and other financial metrics.

ELECTRICALS

Table listing electrical stocks with columns for stock name, price, and other financial metrics.

ENGINEERING - Contd

Table listing engineering stocks with columns for stock name, price, and other financial metrics.

ENGINEERING

Table listing engineering stocks with columns for stock name, price, and other financial metrics.

ENGINEERING

Table listing engineering stocks with columns for stock name, price, and other financial metrics.

ENGINEERING - Contd

Table listing engineering stocks with columns for stock name, price, and other financial metrics.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other stocks with columns for stock name, price, and other financial metrics.

HOTELS AND CATERERS

Table listing hotel and catering stocks with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.)

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.)

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.)

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial metrics.

INSURANCES

Table listing insurance stocks with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.)

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial metrics.

LEISURE

Table listing leisure stocks with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.)

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial metrics.

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July 29 1988

LONDON SHARE SERVICE

LEISURE - Contd

Table of Leisure shares including titles like Leisure World, Leisure Time, Leisure Group, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of Paper, Printing, Advertising shares including titles like Paper Direct, Printing House, Advertising Group, etc.

TEXTILES - Contd

Table of Textiles shares including titles like Textiles Group, Textiles Ltd, etc.

TRUSTS, FINANCE, LAND - Contd

Table of Trusts, Finance, Land shares including titles like Trusts Group, Finance Ltd, Land Ltd, etc.

OIL AND GAS - Contd

Table of Oil and Gas shares including titles like Oil & Gas Ltd, Gas Ltd, etc.

MINES - Contd

Table of Mines shares including titles like Mines Group, Mines Ltd, etc.

PROPERTY

Table of Property shares including titles like Property Group, Property Ltd, etc.

TOBACCO

Table of Tobacco shares including titles like Tobacco Group, Tobacco Ltd, etc.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, Land shares (repeated section)

OVERSEAS TRADERS

Table of Overseas Traders shares including titles like Overseas Traders Ltd, etc.

MISCELLANEOUS

Table of Miscellaneous shares including titles like Miscellaneous Group, etc.

THIRD MARKET

Table of Third Market shares including titles like Third Market Group, etc.

PLANTATIONS

Table of Plantations shares including titles like Plantations Group, etc.

MOTORS, AIRCRAFT TRADES

Table of Motors, Aircraft Trades shares including titles like Motors Group, Aircraft Trades, etc.

Commercial Vehicles

Table of Commercial Vehicles shares including titles like Commercial Vehicles Group, etc.

Components

Table of Components shares including titles like Components Group, etc.

Garages and Distributors

Table of Garages and Distributors shares including titles like Garages and Distributors Group, etc.

NEWSPAPERS, PUBLISHERS

Table of Newspapers, Publishers shares including titles like Newspapers Group, Publishers, etc.

PAPER, PRINTING, ADVERTISING

Table of Paper, Printing, Advertising shares (repeated section)

SHIPPING

Table of Shipping shares including titles like Shipping Group, Shipping Ltd, etc.

SHOES AND LEATHER

Table of Shoes and Leather shares including titles like Shoes and Leather Group, etc.

SOUTH AFRICANS

Table of South Africans shares including titles like South Africans Group, etc.

TEXTILES

Table of Textiles shares (repeated section)

OIL AND GAS

Table of Oil and Gas shares (repeated section)

Central African

Table of Central African shares including titles like Central African Group, etc.

Finance

Table of Finance shares including titles like Finance Group, Finance Ltd, etc.

Australians

Table of Australians shares including titles like Australians Group, etc.

REGIONAL & IRISH STOCKS

Table of Regional & Irish Stocks including titles like Regional Group, Irish Stocks, etc.

TRADITIONAL OPTIONS

Table of Traditional Options including titles like Traditional Options Group, etc.

A selection of Options traded is given on the London Stock Exchange Report Page. This service is available to every investor...

LONDON STOCK EXCHANGE

Takeover stocks feature in busier equity sector while sterling's strength continues to boost Gilt-edged

Account Dealing Dates table with columns for First Dealing, Last Dealing, and Account Dates.

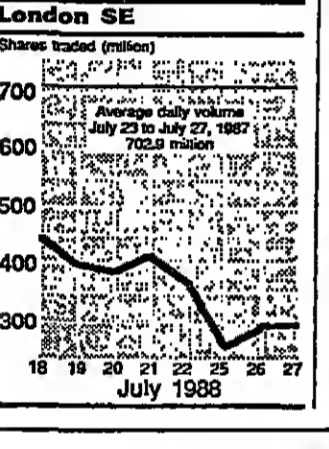
Account Dealing Dates: First Dealing Jul 29, Last Dealing Aug 1, Account Dates Jul 29 to Aug 1.

Account Dealing Dates: First Dealing Aug 2, Last Dealing Aug 2, Account Dates Aug 2 to Aug 2.

Another strong performance by the pound kept the UK securities markets in good form yesterday. In a well-traded equity sector, interim results from ICI and Barclays were well-received, but the centre of the arena was occupied by takeover stocks, notably in the publishing sector. Share prices cooled off at the close when there were rumours of impending fund-raising moves in the financial sector.

ICI's increase of 13 per cent in first half profit was above market expectations, but the shares were restrained by the rise in sterling. Analysts noted that the currency factor had cost already cost ICI £75m in the half year. The early gain of 7.3 in the FT-SE Index melted away towards the close when rumours of impending rights issues and/or takeover bids circulated. At its final reading, the FT-SE 250 rose a net gain of only 0.5 to 1841.3. Turnover, which included a substantial contribution from the takeover sector, increased significantly, taking the week volume total to 484.3m shares at 5 pm (383.9m on Wednesday).

Gilt-edged were mesmerised by the currency markets. "Who would have thought that the pound would rise sharply after such awful UK trade figures", commented one dealer, referring to Wednesday's disclosure of a £1.1bn deficit on the UK current account in June. Long-dated Gilts added 7/8 to 9 1/8 in the wake of the rising currency. Dealers believed that the authorities will continue to restrain the pound via currency intervention at present, and will not be willing to cut base rates. International stocks suffered mixed fortunes, with sentiment changing through the day. ICI's results were above expectations. Several international continued its run, shooting to 47 1/2 at the top before dropping back to close with a gain of 20 at 489. Turnover was 4.2m shares, leading to acceptance about the various stakeholding rumours which appeared during trading. Dealers said the stock had joined the ranks of the speculative favourites but they did not find few convincing explanations for the rise from around 400p during this account. US buying was reported, as was a bear squeeze. A similar technical situation developed in Pearson which rose 32 to 74 1/2, after 79 1/2, amid an array of stories which included an increase in the value of the company's US interests. A total of 1.4m shares changed hands as stock eventually came out to ease the squeeze which caught several dealers short. Attention on these two stocks led to a flurry of excitement in the papers sector which raced ahead. The re-rating of the sector followed the Macmillan bid for ICI, with the share price rising to 400p, mostly in late trading when rumours of an impending rights issue in the market attracted themselves to the banking sector - Lloyds entered the frame when Standard Chartered shares jumped 26 to 499p (420p) and NatWest (350p) rallied 10 1/2 as respective interim statements were digested by the market.



London SE (Shares Traded) from July 19 to July 27, 1988. The graph shows a fluctuating trend with a peak around July 21 and a low around July 27.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table of FT-ACTUARIES SHARE INDICES with columns for Index No., Day's Change, and various other metrics.

Table of EQUITY GROUPS & SUB-SECTIONS with columns for Index No., Day's Change, and various other metrics.

Table of FIXED INTEREST with columns for Price Indices, Day's Change, and various other metrics.

FINANCIAL TIMES STOCK INDICES

Table of Financial Times Stock Indices showing indices for Government Secs, Fixed Interest, Ordinary, Gold Mines, Ord. Div Yield, Earnings Yld, P/E Ratio, SEAG, Equity Turnover, and Shares Traded.

Table of LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

Table of Opening, 10 a.m., 11 a.m., 12 p.m., 1 p.m., 2 p.m., 3 p.m., 4 p.m. share indices.

Among life assurance groups, AIG's 200p rise to 284 1/2, attracted bid rumours, while Legal & General at 224p gained a further 6.

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Yale & Valor was again in the spotlight following remarks in a Press report by chairman Mr. Michael Montague which appeared to confirm that Y&V was vulnerable to a takeover. The shares opened at 111p, but a rumour that stakeholder Williams Holdings might be about to bid to pre-empt any arrangement between Y&V and US company Ingersoll Rand. At best the shares touched 50p, and reacted to 46p before a late run took them to 49p at the close.

Mr. Tim Allen, director of corporate finance at Williams Holdings, was unable to comment on the rumour. The shares were buoyed, however, by unconfirmed speculation that Ingersoll Rand might have approached Williams with an offer for its 3.9 per cent stake.

The oil majors shared in the expansion in equity trading. Top spot went to British Petroleum 7.7m shares enabled the shares to edge higher to 59 1/2p while British Gas, last at 184p, took a credible second place with 5.1m shares changing hands.

Volume in Enterprise was disappointing, but the shares edged forward to 45p on hopes that the Golden Share protection would be removed. Elsewhere in the sector, International Petroleum Co. changed higher after 45p, while new news of drilling progress offshore in Papua New Guinea took it to 45p.

The food sector was quiet until late afternoon when AB Foods, 12 higher to close at 310p. One story suggested that AB Foods is preparing to announce a rights issue and counter-bid for Rank Hovis McDougall, which was also suggested, strongly denied by the company, that its stake in Dee may have changed hands. Taylor Woodrow quickly took price of place among building shares, moving ahead strongly to close 37 higher at 385p as it became more widely known that P&O had increased its stake in

the group to around 8.5 per cent. J. Maunders, in contrast, dipped to 105p before closing at 111p. In contrast, the deal with a third party have been terminated. J. Maunders, unsettled by a recommendation from BZW to reduce holdings, fell 10 to 35p. Fiat's shares, subject of some good institutional buying, moved up 5 to 24p in turnover of 3.8m shares.

Next were hit by rumours that its Grattans mail order business has not been trading well. Although any problems with their mail order side, it was enough to send the share price 6 points down to 23p on turnover of 3.8m.

Other instruments featured in a busy Electricals sector with a rise of 21 to 269p. Interest was stimulated by US Press speculation that IBM had developed a new generation of chips using X-rays. Oxford sales an X-ray generator to IBM.

Cable & Wireless were boosted by news that it has reached an agreement with Australian company Consolidated Press to develop and market value-added telecommunications systems in Australia. C&W also intends to acquire a 60 per cent stake in Consolidated and eventually close 4 further on 37p. Rumours that the DTI will give the go ahead for GEC to bid for Messerly moved the latter up 4 to 189p on turnover of 6.3m. GEC ended the day a penny in the good on 157p. Ferranti improved 3 to 99p on turnover of 13m while with firm defence sector, while Racal eased 5 to 32p as US electronics group Millicom attacked Racal's plans to float off part of Vodafone. Racal is currently trying to win support for a full demerger of Vodafone.

Computer group Kode International dropped 27 to 33p after reporting a 40 per cent half-yearly profit to £791,000, while the recently-listed security equipment group Gardner gained 8 1/2 to 52p after announcing that it had received a bid approach.

A review of defence sales prospects by Kleinwort Greaves drew attention to the potential beneficiaries. British Aerospace, off at 111p, was particularly favoured, moving ahead to 45p before falling back to close only 4 better on the day at 47p; volume amounted to some 3m. Victrols too attracted early support and closed firm at 189p, after 170p. Rolls-Royce, additionally helped by news of the Australian order for RB171-535E4 engines, were actively traded (4.6m) and settled 2 1/2 to the good at 140p.

Elsewhere in the Engineering sector, Hill and Smith rose 12 to 261p in response to good annual results. The Australian order for RB171-535E4 engines, were actively traded (4.6m) and settled 2 1/2 to the good at 140p.

Speculation covering both the interim figures, due next Thursday, and the DTI investigation into the group boosted car distributor I. Cowie, which was also helped by the excellent Ilex Service results and Cowie rose to 125p before settling 6 up on balance at 123p.

Traded Options Market: 35,838 contracts (19,523 calls and 16,315 puts) reported. The FT-SE Index traded 3,390 contracts ahead of today's expiry date, while the other sectors reported 3,365 calls and 1,368 puts.

Traditional Options: First dealings July 25, Last dealings Aug 5, Last declarations Oct 27, For Settlement Nov 7. For more information see end of London section.

TRADING VOLUME IN MAJOR STOCKS

Table of Trading Volume in Major Stocks listing various companies and their trading volumes.

RISERS AND FALLS YESTERDAY

Table of Risers and Falls Yesterday showing price changes for various stock categories.

LONDON RECENT ISSUES

Table of London Recent Issues listing newly issued securities.

FIXED INTEREST STOCKS

Table of Fixed Interest Stocks listing interest-bearing securities.

RIGHTS OFFERS

Table of Rights Offers listing securities with rights offerings.

LONDON TRADED OPTIONS

Table of London Traded Options showing various options contracts and their prices.

Handwritten signature or note at the bottom of the page.

WORLD STOCK MARKETS

Handwritten note: July 29/88

Table of stock market data for various countries including Austria, France, Germany, Netherlands, Sweden, and Switzerland. Columns include country, date, and various stock indices.

Table of stock market data for Canada, including Toronto and Montreal. Columns include stock indices and company names.

Table of stock market data for Japan and Australia. Columns include country, date, and various stock indices.

Table of stock market data for the Over-the-Counter market, listing various companies and their stock prices.

Table of stock market indices including Dow Jones, Standard and Poors, and various regional indices.

Advertisement for Financial Times, featuring a coupon for 12 free issues and contact information for Geneva.

Closing prices July 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices, organized into columns with headers like '12 Month High', 'Low', 'Close', 'Open', 'Change', and 'Volume'. Includes a handwritten note 'Vol. in 1000' at the bottom center.

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for High, Low, and Close prices.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for High, Low, and Close prices.

OVER-THE-COUNTER

Nasdaq national market, 3pm prices July 28

Table of Over-the-Counter prices listing various stocks with columns for High, Low, and Close prices.

Advertisement for Financial Times in Norway: 'Have your F.T. hand delivered in Norway'.

Advertisement for Financial Times in Belgium: 'Have your F.T. hand delivered in Belgium'.

WORLD STOCK MARKETS

AMERICA

Digital results help Dow rebound

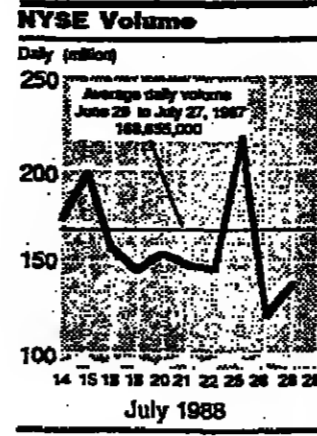
Wall Street

A BETTER performance by the technology sector yesterday helped the Dow Jones Industrial Average recoup all Wednesday's losses, writes Janet Bush in New York. The index had drifted higher during the morning session, but then spurted in afternoon trading to close 28.63 points higher at 2,082.33, on modest volume of 155m shares.

Dealers had partly attributed the wave of selling on Wednesday afternoon to worries about results that were due to be announced by Digital Equipment against a general background of patchy performance by technology companies. However, yesterday's results came up to analysts' forecasts, and technology stocks moved higher, with favourable effects on the broader market.

Walt Disney jumped 5% to \$61, after the company reported net income of \$165m in its third quarter ended June 30, compared with \$121.5m a year earlier. Among technology stocks, Digital Equipment added 3% to \$105.74 and Motorola was up \$1.81 at \$46.14.

Chrysler added 3% to \$22.44 after announcing net earnings of 15 cents a share in the second quarter compared with 32 cents a year earlier, dropped 3% to \$18.74. Chrysler added 3% to \$22.44 after announcing net earnings of 15 cents a share in the second quarter of \$1.45 a share compared with \$1.98 a year earlier.



EUROPE

Profits news and rumours enliven lacklustre trading

COMPANY results and speculation provided pockets of interest in an otherwise slack day, with the broad trend unchanged to weaker, writes Our Markets Staff. AMSTERDAM closed only slightly higher in fairly quiet trading despite a wave of negative news.

London EARLY gains fed by good results from ICI and takeover speculation were pared by rumours of impending rights issues in the financial sector, and the FT-SE 100 index edged up just 0.5 to 1,941.3.

contract to build a subway track in Washington D.C. with a US partner, ended DM2 lower at DM459. Deutsche Babcock, supplying China with coal milling and firing plants in cooperation with Romanian partners, rose DM1.60 to DM174.10.

Lively market that thrives on superlatives

So Sao Paulo loves superlatives. Not only is it the wealthiest city south of the Rio Grande and the business capital of the world's 10th largest economy, but it also plays home to the largest stock exchange in South America.

Brazilian Securities (UK), the investment management house. The market capitalisation of Sao Paulo currently stands at about US\$23bn, and average daily turnover to the end of June was worth \$37.5m. The MARKET PROFILE shows a market with 585 companies, with the top 10 stocks accounting for 33 per cent of trading.

Shares are not delivered physically unless specifically requested. Share certificates are held by the exchange, which transfers registration of ownership three days after a trade. Payment is made five days after the trade.

STOCK MARKET FACT CHART SAO PAULO Market capitalisation: US\$23bn Number of shares listed: 585 Top 10 stocks, percentage of market: 32%

Foreign Investment Companies can hold up to 50 per cent of their capital in shares, while the funds and portfolios must hold up to 70 per cent in equities. None can hold more than 5 per cent of a company's voting stock or 20 per cent of a company's total stock.

ASIA PACIFIC

High-tech issues again lead Nikkei higher

Tokyo SONY and Matsushita Electric Industrial led high-priced technology stocks upwards again in Tokyo yesterday, with the Nikkei average scoring its third consecutive gain, writes Shigeo Nishiwaki of Jiji Press.

Industrial and Sony came first and second respectively, at ¥131.6bn and ¥101.8bn, while trading in Nippon Steel plunged to ¥65.8bn. Nippon Steel, however, was the most active stock, although volume fell below 100m shares to 87.25m.

Disneyland. It jumped ¥200, a daily limit advance, to ¥1,570 on the third heaviest trading of 43.4m shares. Bond prices firmed as the yen rose against the dollar in the wake of the US GNP news.

AUSTRALIA was helped off its lows by some late buying but still closed weaker amid softer commodity prices. The All Ordinaries index lost 12.5 to 1,600 in moderate turnover of 126m shares worth \$529.2m.

FT LAW REPORTS

Drug-buyer's deceit leads to damages

SMITH KLINE & FRENCH LABORATORIES LTD v LONG Court of Appeal (Lord Justice Slade, Lord Justice Groom-Johnson and Lord Justice Ralph Gibson; July 27 1988).

WHEN A pharmaceutical company is induced to sell drugs by the buyer's deceit and is thereby deprived of goods which it would not otherwise have sold to that buyer, damages for its loss are measured not on a replacement costs basis, but on the difference between the price paid and the price that would have been obtained from a legitimate buyer.

for the sale of Tagamet to Swift, from March 1980 to May 1982. They provided for the supply of 16,800 packs of 500 tablets of Tagamet at £56.66 per pack.

anything that could sensibly be described as a loss to the plaintiff. On appeal it was common ground that all the judge was intending to find was that, if the representations had not been made and the sales to Swift had not taken place, the aggregate of all sales made by Smith Kline would have been reduced by 16,800 packs.

FT-ACTUARIES WORLD INDICES

Table with columns for National and Regional Markets, Thursday July 28 1988, Wednesday July 27 1988, and Dollar Index. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, West Germany, Hong Kong, Italy, Japan, Korea, Malaysia, Mexico, New Zealand, Norway, Singapore, South Africa, Spain, Switzerland, Taiwan, Thailand, United Kingdom, USA, Europe, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. US, World Ex. UK, World Ex. Japan, World Ex. (2016), The World Index (2017).

TRADING was sluggish in most regional markets following the downturn on Wall Street in the wake of the US GNP figures.

Smith Kline was part of a group operating throughout the world through a chain of subsidiaries, each of which was allocated areas of operation. Its area covered the UK, Middle East and Central Africa.

There were obvious similarities between such a case and the case where a person had been deprived of his goods by the tort of conversion. It would be a dangerous and misleading generalisation to say that the measure of damages would be the same in all cases.

Any assessment of market value must have an element of artificiality, bearing in mind the restricted nature and conditions of the market in which Smith Kline operated. But on the particular facts of the case, the right test was what price would it have been able to obtain for the 16,800 packs if it had not been deceived into selling them to Swift?

Base rates: Dec 31, 1986 = 100; Finland Dec 31, 1987 = 113.037 (US \$ index), 90.791 (pound sterling) and 94.94 (local). Copyright: The Financial Times, Goldman, Sachs & Co., Wood Mackenzie & Co. Ltd 1987.

For Smith Kline: Simon Thorley (Woodham Smith). For Mr Long: Leslie Joseph QC and Gerald Rabbitt (Turnants). Rachel Davies Barrister.